

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 [NO FEE REQUIRED]  
For the fiscal year ended January 31, 1998  
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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  
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THE LIMITED, INC.  
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(Exact name of registrant as specified in its charter)

Delaware  
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31-1029810  
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(State or other jurisdiction of incorporation  
or organization)

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

Three Limited Parkway, P.O. Box 16000, Columbus, Ohio  
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43216  
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(Address of principal executive offices)

(Zip Code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months and (2) has been subject to the filing requirements for  
the past 90 days. Yes  No   
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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.   
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Aggregate market value of the registrant's Common Stock held by non-affiliates  
of the registrant as of April 17, 1998: \$8,537,190,501.

Number of shares outstanding of the registrant's Common Stock as of April 17,  
1998: 274,287,245.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's annual report to shareholders for the fiscal year  
ended January 31, 1998 are incorporated by reference into Part I, Part II and  
Part IV, and portions of the registrant's proxy statement for the Annual  
Meeting of Shareholders scheduled for May 18, 1998 are incorporated by reference  
into Part III.

PART I

ITEM 1. BUSINESS.

General.

The Limited, Inc., a Delaware corporation (including its subsidiaries, the "Company"), is principally engaged in the purchase, distribution and sale of women's apparel, lingerie, men's apparel, personal care products, children's apparel and a wide variety of sporting goods. The Company operates an integrated distribution system which supports its retail activities. These activities are conducted under various trade names through the retail stores and catalogue businesses of the Company. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics.

Description of Operations.

General.

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As of January 31, 1998, the Company owned the following businesses: (1) Intimate Brands, Inc. ("IBI") (a corporation in which the Company holds an 83% interest) which consists of a retail lingerie business, a catalogue lingerie and women's apparel business (Victoria's Secret Catalogue), and a personal care business, (2) Abercrombie & Fitch Co. (a corporation in which the Company holds an 84% interest), a men's and women's apparel business, (3) five women's retail apparel businesses, and (4) the "Emerging" businesses which consist of a men's apparel business, a children's apparel business and a sporting goods business. The following chart reflects the retail businesses and the number of stores in operation for each business at January 31, 1998 and February 1, 1997.

RETAIL BUSINESSES	NUMBER OF STORES	
	January 31, 1998	February 1, 1997
Women's		
Express	753	753
Lerner New York	746	784
Lane Bryant	773	832
The Limited	629	663
Henri Bendel	6	6
Total Women's	2,907	3,038
Emerging		
Structure	544	542
The Limited Too	312	308
Galyan's Trading Co.	11	9
Total Emerging	867	859
Intimate Brands, Inc.		
Victoria's Secret Stores	789	736
Bath & Body Works	921	750
Cacique /**/	-	119
Penhaligon's/*/	-	4
Total Intimate Brands, Inc.	1,710	1,609
Abercrombie & Fitch Co./***/	156	127
Total	5,640	5,633

- /\*/ - Penhaligon's was sold in April 1997.  
 /\*\*/ - Cacique was closed in January 1998.  
 /\*\*\*/ - The Company expects to commence an offer of its A&F shares in exchange for Limited common stock pursuant to which A&F will become an independent public company.

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

Fiscal Year	Beginning of Year	Acquired	Opened	Closed	End of Year
1993	4,425	-	322	(124)	4,623
1994	4,623	-	358	(114)	4,867
1995	4,867	6	504	(79)	5,298
1996	5,298	-	470	(135)	5,633
1997	5,633	-	315	(308)	5,640

The Company also owns Mast Industries, Inc., a contract manufacturer and apparel importer, and Gryphon Development, Inc. ("Gryphon") which is a subsidiary of IBI. Gryphon creates, develops and contract manufactures a substantial portion of the bath and personal care products sold by the Company.

During fiscal year 1997, the Company purchased merchandise from approximately 7,800 suppliers and factories located throughout the world. In addition to purchases through Mast and Gryphon, the Company purchased merchandise in foreign markets, with additional merchandise purchased in the domestic market, some of which is manufactured overseas. No more than 5% of goods purchased originated from any single manufacturer.

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

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

The Company views the retail apparel market as having two principal selling seasons, Spring and Fall. As is generally the case in the apparel industry, the Company experiences its peak sales activity during the Fall season. This seasonal sales pattern results in increased inventory during the Fall and Christmas holiday selling periods. During fiscal year 1997, the highest inventory level was \$1.524 billion at the November 1997 month-end and the lowest inventory level was \$990 million at the December 1997 month-end.

Merchandise sales are paid for in cash, by personal check, and with credit cards issued by third parties or credit cards issued by the Company's credit card processing venture, Alliance Data Systems ("ADS"), for customers of Express, Lerner New York, Lane Bryant, Limited, Henri Bendel, Victoria's Secret Stores, Victoria's Secret Catalogue, Structure and Abercrombie & Fitch. ADS was formed in part from World Financial Network National Bank ("WFNNB"), a wholly-owned subsidiary of the Company prior to January 1996. At that time, a 60% interest was sold to a New York investment firm, resulting in the formation of ADS, a venture that provides private-label and bank card transaction processing and database management services to retailers, including the Company's private-label credit card operations. Further information regarding this transaction is contained in Note 3 of the Notes to Consolidated Financial Statements included in The Limited, Inc., 1997 Annual Report to Shareholders, portions of which are annexed hereto as Exhibit 13 (the "1997 Annual Report") and is incorporated herein by reference.

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

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

Intimate Brands, Inc. - is a leading specialty retailer of intimate apparel and

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personal care products, operating primarily under its Victoria's Secret and Bath & Body Works brand names. Under the Victoria's Secret name, The Limited is the leading mall-based specialty retailer of women's intimate apparel and related products and a leading catalogue retailer of intimate and other women's apparel. Victoria's Secret operates over 780 stores nationwide and in 1997 mailed approximately 425 million catalogues. Under the Bath & Body Works name, The Limited is the leading mall-based specialty retailer of personal care products. Launched in 1990, Bath & Body Works operates over 920 stores nationwide. Intimate Brands had net sales of \$3.6 billion in 1997.

Express - is a leading specialty retailer of women's sportswear and accessories.

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Express' strategy is to offer, under the Express brand, an exciting collection of quality sportswear designed to appeal to a broad range of young-minded, spirited women looking for the latest in current fashion. Launched in 1980, Express had net sales of approximately \$1.2 billion in 1997 and operated 753 stores in 48 states.

Lerner New York - is a leading mall-based specialty store retailer of value

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priced women's apparel. The business's repositioned merchandising strategy is to be the leading fashion-at-a-value women's specialty retailer offering its customer a fashion-coordinated flexible wardrobe at opening price points. Originally founded in 1918, Lerner New York was purchased by The Limited in 1985. Lerner New York had net sales of approximately \$946 million in 1997 and operated 746 stores in 45 states.

Lane Bryant - is the leading specialty store retailer of large-size women's

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apparel. The business targets fashion-conscious women who are seeking moderately-priced clothing in sizes 14-28. Originally founded in 1900, Lane Bryant was acquired by The Limited in 1982. The business had net sales of approximately \$907 million in 1997 and operated 773 stores in 46 states.

Limited - is one of the oldest and largest mall-based specialty store retailers.

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In early 1995, the business repositioned its merchandising strategy to focus its historically strong brand name on an "American Lifestyle" point of view, targeting fashion-oriented women who prefer a classic and comfortable wardrobe and seek consistency in style, taste, quality and fit. Founded in 1963, Limited Stores had net sales of \$776 million in 1997 and operated 629 stores in 46 states.

Structure - is a leading mall-based specialty retailer of men's clothing.

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Structure targets men with an active, outdoor-oriented lifestyle. In 1996, Structure repositioned its strategy by returning to classic American casual fashion. Structure operates 544 stores in 43 states and had net sales of \$660 million in 1997.

Limited Too - established in 1987, sells casual clothes for girls up to fourteen

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years of age through 312 stores. Limited Too had net sales of \$322 million in 1997.

Galyan's - is a rapidly-growing operator of full-line sporting goods and apparel

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superstores in the Midwestern United States. Galyan's operates eleven stores in four markets, targeting upscale sports enthusiasts. Acquired by The Limited in July 1995, Galyan's had net sales of \$160 million in 1997.

Henri Bendel - operates specialty stores which feature better, bridge and

designer women's fashions in an exclusive, eclectic shopping environment. The business was purchased by The Limited in 1988 and had net sales of approximately \$83 million in 1997. The Limited has announced that it will close five of its six locations with the New York City store remaining open.

Abercrombie & Fitch Co. - is a rapidly growing specialty retailer that has

created a focused and differentiated brand image based on quality, youthfulness and classic American style. The business had net sales of \$522 million in 1997 and operated 156 stores in 36 states. The Company expects to commence an offer of its A&F shares in exchange for Limited common stock pursuant to which A&F will become an independent public company.

Additional information about the Company's business, including its revenues and profits for the last three years, plus selling square footage and other information about each of the Company's operating businesses, is set forth under the caption "Management's Discussion and Analysis" of the 1997 Annual Report and is incorporated herein by reference.

#### COMPETITION.

The sale of apparel, lingerie, personal care products and sporting goods through retail stores is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores, department stores and discount retailers. Design, price, service, selection and quality are the principal competitive factors in retail store sales. The Company's catalogue business competes with numerous national and regional catalogue merchandisers. Design, price, service, quality and catalogue presentation are the principal competitive factors in catalogue sales.

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

#### ASSOCIATE RELATIONS.

On January 31, 1998, the Company employed approximately 131,000 associates, 96,200 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the Christmas season.

#### ITEM 2. PROPERTIES.

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

The distribution and shipping facilities owned by the Company consisted of nine buildings located in the Columbus, Ohio area and, excluding office space, comprised approximately 5.2 million square feet.

Substantially all of the retail stores owned by the Company are located in leased facilities, primarily in shopping centers throughout the continental United States. The leases expire at various dates principally between 1998 and 2018 and generally have renewal options.

Typically, when space is leased for a retail store in a shopping center, all improvements, including

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

ITEM 3. LEGAL PROCEEDINGS.

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

On November 13, 1997, the United States District Court for the Southern District of Ohio, Eastern Division, dismissed with prejudice an amended complaint that had been filed against the Company and certain of its subsidiaries by the American Textile Manufacturers Institute ("ATMI"), a textile industry trade association. The amended complaint alleged that the defendants violated the federal False Claims Act by submitting false country of origin records to the US Customs Service. On November 26, 1997, ATMI served a motion to alter or amend judgement and a motion to disqualify the presiding judge and to vacate the order of dismissal. The motion to disqualify was denied on December 22, 1997, but as a matter of his personal discretion, the presiding judge elected to recuse himself from further proceedings and this matter has been transferred to another judge of the United States District Court for the Southern District of Ohio. On January 8, 1998, ATMI filed a second motion to vacate and a motion for leave to file a second amended complaint. The Company has vigorously opposed all of the pending motions.

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

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

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT.

Set forth below is certain information regarding the executive officers of the Company as of January 31, 1998.

Leslie H. Wexner, 60, has been Chairman of the Board of Directors of the Company for more than five years and its President and Chief Executive Officer since he founded the Company in 1963.

Kenneth B. Gilman, 51, has been Vice Chairman and Chief Administrative Officer of the Company since June 1997. Mr. Gilman was the Chief Financial Officer of the Company from June 1993 to August 1997. Mr. Gilman was the Executive Vice President and Chief Financial Officer of the Company for more than five years prior thereto.

V. Ann Hailey, 47, has been Chief Financial Officer of the Company since August 1997. Ms. Hailey was Senior Vice President and Chief Financial Officer for Pillsbury from August, 1994 to August 1997.

Martin Trust, 63, has been President of Mast Industries, Inc., a wholly-owned subsidiary of the Company, for more than five years.

Arnold F. Kanarick, 57, has been Executive Vice President and Chief Human Resources Officer since October 1992.

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



PART II

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

Information regarding markets in which the Company's common stock was traded during fiscal years 1997 and 1996, approximate number of holders of common stock, and quarterly cash dividend per share information of the Company's common stock for the fiscal years 1997 and 1996 is set forth under the caption "Market Price and Dividend Information" on page 19 of the 1997 Annual Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

Selected financial data is set forth under the caption "Financial Summary" on page 3 of the 1997 Annual Report and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations is set forth under the caption "Management's Discussion and Analysis" on pages 4 through 10 of the 1997 Annual Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements of the Company and subsidiaries, the Notes to Consolidated Financial Statements and the Report of Independent Accountants are set forth in the 1997 Annual Report and are incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding directors of the Company is set forth under the captions "ELECTION OF DIRECTORS - Nominees and Directors", "- Business Experience", "- Information Concerning the Board of Directors" and "- Security Ownership of Directors and Management" on pages 1 through 6 of the Company's proxy statement for the Annual Meeting of Shareholders to be held May 18, 1998 (the "Proxy Statement") and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended is set forth under the caption "EXECUTIVE COMPENSATION - Section 16(a) Beneficial Ownership Reporting Compliance" on page 13 of the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT" in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption "EXECUTIVE COMPENSATION" on pages 9 through 13 of the Proxy Statement and is incorporated herein by reference. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

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

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions "ELECTION OF DIRECTORS - Security Ownership of Directors and Management" on pages 5 and 6 of the Proxy Statement and "PRINCIPAL HOLDERS OF VOTING SECURITIES" on page 19 of the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information regarding certain relationships and related transactions is set forth under the captions "ELECTION OF DIRECTORS - Business Experience" on pages 2 and 3 of the Proxy Statement and "ELECTION OF DIRECTORS - Certain Relationships and Related Transactions" on pages 7 and 8 of the Proxy Statement and is incorporated herein by reference.

PART IV

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

(a)(1) List of Financial Statements.  
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The following consolidated financial statements of The Limited, Inc. and Subsidiaries and the related notes are filed as a part of this report pursuant to ITEM 8:

Consolidated Statements of Income for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996.

Consolidated Statements of Shareholders' Equity for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996.

Consolidated Balance Sheets as of January 31, 1998 and February 1, 1997.

Consolidated Statements of Cash Flows for the fiscal years ended January 31, 1998, February 1, 1997 and February 3, 1996.

Notes to Consolidated Financial Statements.

Report of Independent Accountants.

(a)(2) List of Financial Statement Schedules.  
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The following consolidated financial statement schedule of The Limited, Inc. and subsidiaries is filed as part of this report pursuant to ITEM 14(d):

II. Valuation and Qualifying Accounts

All other schedules are omitted because the required information is either presented in the financial statements or notes thereto, or is not applicable, required or material.

(a)(3) List of Exhibits  
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3. Articles of Incorporation and Bylaws.

3.1. Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1988.

3.2. Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 1991 (the "1990 Form 10-K").

4. Instruments Defining the Rights of Security Holders.

- 4.1. Copy of the form of Global Security representing the Company's 7 1/2% Debentures due 2023, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated March 4, 1993.
- 4.2. Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1(a) to the Company's Current Report on Form 8-K dated March 21, 1989.
- 4.3. Copy of the form of Global Security representing the Company's 8 7/8% Notes due August 15, 1999, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 14, 1989.
- 4.4. Copy of the form of Global Security representing the Company's 9 1/8% Notes due February 1, 2001, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 6, 1991.
- 4.5. Copy of the form of Global Security representing the Company's 7.80% Notes due May 15, 2002, incorporated by reference to the Company's Current Report on Form 8-K dated February 27, 1992.
- 4.6. Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "Commission") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the Commission on February 23, 1993 (the "1993 Form S-3").
- 4.7. Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.
- 4.8. Credit Agreement dated as of September 25, 1997 among the Company, Morgan Guaranty Trust Company of New York and the banks listed therein, incorporated by reference to Exhibit 4.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 1, 1997.

10. Material Contracts.

- 10.1. The 1987 Stock Option Plan of The Limited, Inc., incorporated by reference to Exhibit 28(a) to the Form S-8.
- 10.2. Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").
- 10.3. The Limited Deferred Compensation Plan incorporated by reference to Exhibit 10.4 to the 1990 Form 10-K.
- 10.4. Form of Indemnification Agreement between the Company and the directors and officers of the Company, incorporated by reference to Exhibit A to the Company's definitive proxy statement dated April 18, 1988 for the Company's 1988 Annual Meeting of Shareholders held May 23, 1988.
- 10.5. Schedule of directors and officers who became parties to Indemnification Agreements effective May 23, 1988, incorporated by reference to Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 29, 1988.
- 10.6. Reserved for future use.
- 10.7. Supplemental schedule of directors and officers who became parties to Indemnification Agreements incorporated by reference to Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 1992.
- 10.8. Supplemental schedule of officer who became party to an Indemnification Agreement effective November 16, 1992 incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended January 30, 1993.
- 10.9. 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).
- 10.10. Supplemental schedule of director who became party to an Indemnification Agreement effective January 27, 1996 incorporated by reference to Exhibit 10.12 to the 1995 Form 10-K.
- 10.11. Reserved for future use.
- 10.12. Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust, incorporated by reference to Exhibit 10.13 to the 1996 Form 10-K.

- 10.13. Amendment dated July 19, 1996 to the Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust, incorporated by reference to Exhibit 10.14 to the 1996 Form 10-K.
- 10.14. Reserved for future use.
- 10.15. Reserved for future use.
- 10.16. The 1997 Restatement of The Limited, Inc. 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 14, 1997.
- 10.17. The Limited, Inc. 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.
- 10.18. The Limited, Inc. Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.
- 10.19. Reserved for future use.
- 10.20. Employment Agreement by and between The Limited, Inc and Kenneth B. Gilman dated as of May 20, 1997 with exhibits.
- 10.21. Employment Agreement by and between The Limited, Inc. and Arnold F. Kanarick dated as of May 20, 1997 with exhibits.
- 10.22. Employment Agreement by and between The Limited, Inc. and Martin Trust dated as of May 20, 1997 with exhibits.
12. Statement re: Computation of Ratio of Earnings to Fixed Charges.
13. Excerpts from the 1997 Annual Report to Shareholders including "Financial Summary", "Management's Discussion and Analysis" and "Financial Statements and Notes" on pages 3 through 19.
21. Subsidiaries of the Registrant.
23. Consent of Independent Accountants.
24. Powers of Attorney.

27. Financial Data Schedule.

99. Annual Report of The Limited, Inc. Savings and Retirement Plan.

(b) Reports on Form 8-K.

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No reports on Form 8-K were filed during the fourth quarter of fiscal year 1997.

(c) Exhibits.

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

(d) Financial Statement Schedule.

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The financial statement schedule filed with this report is listed in section (a) (2) of Item 14 above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(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: April 29, 1998

THE LIMITED, INC.  
(registrant)

By /s/ V. ANN HAILEY  
-----  
V. Ann Hailey,  
Executive Vice President and  
Chief Financial Officer

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 January 30, 1998:

Signature -----	Title -----
/s/ LESLIE H. WEXNER/**/ ----- Leslie H. Wexner	Chairman of the Board of Directors, President and Chief Executive Officer
/s/ KENNETH B. GILMAN/**/ ----- Kenneth B. Gilman	Director, Vice Chairman and Chief Administrative Officer
/s/ ABIGAIL S. WEXNER/**/ ----- Abigail S. Wexner	Director
/s/ MARTIN TRUST/**/ ----- Martin Trust	Director
/s/ EUGENE M. FREEDMAN/**/ ----- Eugene M. Freedman	Director
/s/ E. GORDON GEE/**/ ----- E. Gordon Gee	Director
/s/ DAVID T. KOLLAT/**/ ----- David T. Kollat	Director
/s/ CLAUDINE MALONE/**/ ----- Claudine Malone	Director



/s/ LEONARD A. SCHLESINGER/\*\*/  
-----  
Leonard A. Schlesinger

Director

/s/ DONALD B. SHACKELFORD/\*\*/  
-----  
Donald B. Shackelford

Director

/s/ ALLAN R. TESSLER/\*\*/  
-----  
Allan R. Tessler

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/ KENNETH B. GILMAN  
-----  
Kenneth B. Gilman  
Attorney-in-fact

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the consolidated financial statements of The Limited, Inc. and Subsidiaries as of January 31, 1998 and February 1, 1997, and for each of the three fiscal years in the period ended January 31, 1998, which financial statements are included on pages 11 through 18 of the 1997 Annual Report to shareholders of The Limited, Inc. and incorporated by reference herein. We have also audited the financial statement schedule for the fiscal year in the period ended February 3, 1996, listed in Item 14(a)(2) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 The Limited, Inc. and Subsidiaries as of January 31, 1998 and February 1, 1997, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 31, 1998 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule for the fiscal year in the period ended February 3, 1996 referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.

Columbus, Ohio  
February 20, 1998

## Schedule II

THE LIMITED, INC. AND SUBSIDIARIES  
 VALUATION AND QUALIFYING ACCOUNTS  
 FOR THE FISCAL YEAR ENDED  
 FEBRUARY 3, 1996  
 (THOUSANDS)

	Balance at Beginning of Fiscal Year	Charged to Costs and Expenses	Deductions	Sale of WFNNB	Balance at End of Fiscal Year
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ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS					
Fiscal year ended February 3, 1996	\$44,946	91,424	(90,134)(A)	(46,236)(B)	\$ -
	=====	=====	=====	=====	=====

(A) - Write-offs, net of recoveries

(B) - The Company sold a 60% interest in WFNNB in 1995; therefore, it is no longer a consolidated subsidiary of the Company. See Note 3 to the Consolidated Financial Statements for further information.

EXHIBIT INDEX

Exhibit No.	Document
10.20	Employment Agreement by and between The Limited, Inc. and Kenneth B. Gilman dated as of May 20, 1997 with exhibits.
10.21	Employment Agreement by and between The Limited, Inc. and Arnold F. Kanarick dated as of May 20, 1997 with exhibits.
10.22	Employment Agreement by and between The Limited, Inc. and Martin Trust dated as of May 20, 1997 with exhibits.
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
13	Excerpts from the 1997 Annual Report to Shareholders including "Financial Summary", "Management's Discussion and Analysis" and "Financial Statements and Notes" on pages 3 through 19.
21	Subsidiaries of the Registrant.
23	Consent of Independent Accountants.
24	Powers of Attorney.
27	Financial Data Schedule.
99	Annual Report of The Limited, Inc. Savings and Retirement Plan.

## EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of May 20, 1997, by and between The Limited Inc. and The Limited Service Corporation a Delaware corporation (the "Company"), and Kenneth B. Gilman (the "Executive") (hereinafter collectively referred to as "the parties").

WHEREAS, the Executive has heretofore been employed as Vice Chairman and Chief Administrative Officer of The Limited, Inc. and is experienced in all phases of its business and possesses an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods and personnel; and

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

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

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

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

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

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

2. Employment.

(a) Position. The Executive shall be employed as the Vice

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Chairman and Chief Administrative Officer of The Limited, Inc. or such other position of reasonably comparable or greater status and responsibilities as may be determined by the Board with any division, subsidiary or affiliate of the Company. The Executive shall perform the duties, undertake the responsibilities and exercise the authority customarily performed, undertaken and exercised by persons employed in a similar executive capacity. The Executive shall report to Leslie H. Wexner or his successor.

(b) Obligations. The Executive agrees to devote his full business

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time and attention to the business and affairs of the Company. The foregoing, however, shall not preclude the Executive from serving on corporate, civil or charitable boards or committees or managing personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities hereunder.

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

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Executive during the term of this Agreement a base salary at the rate of \$900,000. This base salary will be subject to annual review and may be increased from time to time by the Board considering factors such as the executive's responsibilities, compensation of similar executives within the company and in other companies, performance of the executive and other pertinent factors (hereinafter referred to as the "Base Salary"). Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Company shall grant to the Executive  
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rights to receive 300,000 shares of the Company's common stock and options to  
acquire 500,000 shares of the Company's common stock pursuant to the terms of  
the agreements attached hereto as Exhibits A and B.

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

6. Bonus. The Executive shall be entitled to participate in the  
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Company's applicable incentive compensation plan on such terms and conditions as  
may be determined from time to time by the Board.

7. Other Benefits.  
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(a) Life Insurance.  
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(1) During the term of the Agreement, the Company shall  
maintain term life insurance coverage on the life of the Executive in the amount  
of \$5,000,000, the proceeds of which shall be payable to the beneficiary or  
beneficiaries designated by the Executive. The Executive agrees to undergo any  
reasonable physical examination and other procedures as may be necessary to  
maintain such policy.

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

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

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

8. Vacation. The Executive shall be entitled to annual vacation in  
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accordance with the policies as periodically established by the Board for  
similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder may be  
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terminated under the following circumstances:

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

(b) Cause. The Company shall be entitled to terminate the  
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Executive's employment for "Cause" without prior written notice. For purposes of  
this Agreement, "Cause" shall mean that the Executive (1) willfully failed to  
perform those duties with the Company (other than a failure resulting from the  
Executive's incapacity due to physical or mental illness); or (2) has plead  
"guilty" or "no contest" to or has been convicted of

an act which is defined as a felony under federal or state law; or (3) engaged in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

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

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

employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive as Vice Chairman and Chief Administrative Officer of The Limited, Inc. or such other capacity as contemplated by Section 2 hereof; (ii) the assignment to the Executive of any duties materially inconsistent with the Executive's positions, duties, authority, responsibilities and reporting requirements as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or any person controlling the Company requires the Executive to be based outside of the United States, other than on travel reasonably required to carry out the Executive's obligations under the Agreement or (v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale or similar transaction; provided, however, that "Good

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

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

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

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

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

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

10. Compensation Upon Termination.

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

(including any interest earned or credited thereon) (collectively, "Accrued Compensation"), provided, however, that if the Executive gives such written

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



(e) During the period the Executive is receiving salary continuation pursuant to Section 10(b)(ii), 10(c)(ii) or 10(d)(ii) hereof, the Company shall, at its expense, provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation with respect to the foregoing benefits shall be reduced to the extent that the Executive or the Executive's beneficiaries obtains any such benefits pursuant to a subsequent employer's benefit plans.

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

11. Employee Covenants.

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

term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean disclosure by the Executive without the prior written consent of the Board to any person, other than an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any information relating to the business or prospects of the Company (including, but not limited to, any confidential information with respect to any of the Company's customers, products, methods of distribution, strategies, business and marketing plans and business policies and practices); provided, however, that such term shall not include the use or disclosure by the

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

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

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

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

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

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

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

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

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

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of this Section 11 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages, and to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the provisions of the covenants not to compete and solicit are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. Should a court determine, however, that any provision of the covenants is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

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

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paragraph shall not, in and of itself, preclude the Executive from defending himself against the enforceability of the covenants and agreements of this Section 11.

#### 12. Limitation of Payments.

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

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

(b) All determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and any amounts relevant to the last sentence of Subsection 12(a), shall be made by an independent accounting firm selected by the Company from among the largest six accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five (5) days of the Termination Date, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the

Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

(c) As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

13. Employee Representation. The Executive expressly represents and

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

14. Successors and Assigns.

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

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

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

Section 11(d) hereof, if in the event of any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement, either party delivers to the other party a written demand for arbitration of a controversy or claim then such claim or controversy shall be submitted to binding arbitration. The binding arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration shall take place in Columbus, Ohio. Each of the Company and the Executive shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to award punitive damages against the Company or the Executive. The arbitrator shall have no authority to add to, alter, amend or refuse to enforce any portion of the disputed agreements. The Company and the Executive each waive any right to a jury trial or to petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement.

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

communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to

have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:  
-----

Kenneth B. Gilman  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX

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

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

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

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

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

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

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

THE LIMITED, INC.

By: /s/ Leslie H. Wexner

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

/s/ Kenneth B. Gilman

-----  
Kenneth B. Gilman

===== [LOGO OF THE LIMITED, INC. APPEARS HERE] =====

S T O C K   A W A R D

STOCK OPTION AGREEMENT  
ACKNOWLEDGEMENT OF RECEIPT

This Stock Option Agreement is entered into by and between The Limited, Inc. (the "Company"), and the associate of the company whose name appears below (the "Associate") in order to set forth the terms and conditions of Options granted to the Associate under The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (1997 Restatement) (the "Plan").

Associate's Name:     KENNETH B. GILMAN  
Division:             LIMITED INC.  
Social Security #:      
Address:

Plan Name	Date of Grant	Expiration Date	Number of Shares	Option Price	Exercise Date	Schedule Shares
1993 NQ PLAN (97 RESTATEMENT)	05/20/97	05/21/07	494,872	\$19.5000	05/20/98	50,000
					05/20/99	50,000
					05/20/00	50,000
					05/20/01	75,000
					05/20/02	100,000
1993 ISO PLAN (97 RESTATEMENT)	05/20/97	05/21/07	5,128	\$19.5000	05/20/03	169,872
					05/20/03	5,128

Subject to the attached Terms and Conditions and the terms of the Plan, which are incorporated herein by reference, the Company hereby grants to the Associate, Options to purchase shares of Common Stock of the Company, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

THE LIMITED, INC.

ASSOCIATE

By: /s/ Leslie H. Wexner

/s/ Kenneth B. Gilman

-----  
Leslie H. Wexner, Chairman

-----  
Kenneth B. Gilman

===== Please return one signed copy of this agreement to =====

The Limited, Inc.  
Three Limited Parkway  
Columbus, OH 43230  
614-415-7000

===== [LOGO OF THE LIMITED, INC. APPEARS HERE] =====

S T O C K    A W A R D

RESTRICTED STOCK AGREEMENT  
ACKNOWLEDGEMENT OF RECEIPT

This Restricted Stock Agreement is entered into by and between The Limited, Inc. (the "Company"), and the associate or director of the Company whose name appears below (the "Associate") in order to set forth the terms and conditions of a Restricted Stock Award granted to the Associate under The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (1997 Restatement) ("the Plan").

Associate's Name:    KENNETH B. GILMAN

Division:            LIMITED INC.

Social Security #:

Address:

Plan Name	Date of Grant	Number of Shares	Vesting Schedule* Date	Shares
93 RESTRICTED (97 RESTATEMENT)	05/20/97	300,000	05/20/98	30,000
			05/20/99	30,000
			05/20/00	30,000
			05/20/01	45,000
			05/20/02	60,000
			05/20/03	105,000

\* If employment is terminated by the Company other than for Cause or by the Associate for Good Reason, vesting will be at 16% for each full year following the date of grant for the first five years, and 20% for the sixth year (offset by any shares previously vested under the normal schedule).

Subject to the attached Terms and Conditions of this Agreement and the terms of the Plan, which are incorporated herein by reference, the Company hereby grants to the Associate Restricted shares, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

THE LIMITED, INC.

ASSOCIATE

By: /s/ Leslie H. Wexner

/s/ Kenneth B. Gilman

-----  
Leslie H. Wexner, Chairman

This Restricted Stock Agreement is granted and the 5/20/98 vesting segment of the award will be earned based on achieving a x% increase in the sales growth for The Limited, Inc. in the Fall season of 1997 over the Fall season of 1996. Further, the balance of the award will be earned and vest as outlined in the above schedule based on achieving a x% increase in sales growth for The Limited, Inc. for the 1998 fiscal year over the 1997 fiscal year.

===== Please return one signed copy of this agreement to =====

The Limited, Inc.  
Three Limited Parkway  
Columbus, OH 43230  
614-415-7000

## EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of May 20, 1997, by and between The Limited Inc. and The Limited Service Corporation a Delaware corporation (the "Company"), and Arnold F. Kanarick (the "Executive") (hereinafter collectively referred to as "the parties").

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

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

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

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

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

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

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

2. Employment.

- (a) Position. The Executive shall be employed as the Executive

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Vice President and Director of Human Resources of The Limited, Inc. or such other position of reasonably comparable or greater status and responsibilities as may be determined by the Board with any division, subsidiary or affiliate of the Company. The Executive shall perform the duties, undertake the responsibilities and exercise the authority customarily performed, undertaken and exercised by persons employed in a similar executive capacity. The Executive shall report to Leslie H. Wexner or his successor.

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

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time and attention to the business and affairs of the Company. The foregoing, however, shall not preclude the Executive from serving on corporate, civil or charitable boards or committees or



managing personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities hereunder.

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

Executive during the term of this Agreement a base salary at the rate of \$550,000. This base salary will be subject to annual review and may be increased from time to time by the Board considering factors such as the executive's responsibilities, compensation of similar executives within the company and in other companies, performance of the executive and other pertinent factors (hereinafter referred to as the "Base Salary"). Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Company shall grant to the Executive

rights to receive 150,000 shares of the Company's common stock and options to acquire 250,000 shares of the Company's common stock pursuant to the terms of the agreements attached hereto as Exhibits A and B.

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

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

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

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

7. Other Benefits.

(a) Life Insurance.

(1) During the term of the Agreement, the Company shall maintain term life insurance coverage on the life of the Executive in the amount of \$5,000,000, the proceeds of which shall be payable to the beneficiary or beneficiaries designated by the Executive. The Executive agrees to undergo any reasonable physical examination and other procedures as may be necessary to maintain such policy.

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

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

Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by his in

connection with the performance of his duties hereunder or for promoting, pursuing or otherwise furthering the business or interests of the Company.

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

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

8. Vacation. The Executive shall be entitled to annual vacation in  
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accordance with the policies as periodically established by the Board for similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder may be  
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terminated under the following circumstances:

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

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

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

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

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

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

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employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive as Executive Vice President and Director of Human Resources of The Limited, Inc. or such other capacity as contemplated by Section 2 hereof; (ii) the assignment to the Executive of any duties materially inconsistent with

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

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

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

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

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

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

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

10. Compensation Upon Termination.

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

Executive gives such written notice not to extend, the Company shall continue to pay the premiums provided for in Section 7(a)(1)

through the end of the calendar year in which the Executive's termination occurs. The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Employee Covenants.

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

term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean disclosure by the Executive without the prior written consent of the Board to any person, other than an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any information relating to the business or prospects of the Company (including, but not limited to, any confidential information with respect to any of the Company's customers, products, methods of distribution, strategies, business and marketing plans and business policies and practices); provided, however, that such term shall not include the use or disclosure by the

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

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

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

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

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

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

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

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

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

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of this Section 11 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages, and to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and

the Company further agree that the provisions of the covenants not to compete and solicit are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. Should a court determine, however, that any provision of the covenants is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

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

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paragraph shall not, in and of itself, preclude the Executive from defending himself against the enforceability of the covenants and agreements of this Section 11.

12. Limitation of Payments.  
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(a) Gross-Up Payment. In the event it shall be determined that

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

(b) All determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and any amounts relevant to the last sentence of Subsection 12(a), shall be made by an independent accounting firm selected by the Company from among the largest six accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five (5) days of the Termination Date, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of uncertainty in the

application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

(c) As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

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

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



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

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

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Section 11(d) hereof, if in the event of any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement, either party delivers to the other party a written demand for arbitration of a controversy or claim then such claim or controversy shall be submitted to binding arbitration. The binding arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration shall take place in Columbus, Ohio. Each of the Company and the Executive shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to award punitive damages against the Company or the Executive. The arbitrator shall have no authority to add to, alter, amend or refuse to enforce any portion of the disputed agreements. The Company and the Executive each waive any right to a jury trial or to petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement.

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

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

To the Executive:

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Arnold F. Kanarick  
xxxxxxxxxxxxxxxxxxxx  
xxxxxxxxxxxxxxxxxxxx

To the Company:

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

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

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payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim,

recoupment, defense or other right which the Company may have against the Executive or others.

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

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

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

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

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

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

22. Entire Agreement. This Agreement constitutes the entire agreement

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

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

THE LIMITED, INC.

By: /s/ Leslie H. Wexner

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

/s/ Arnold F. Kanarick

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Arnold F. Kanarick

===== [LOGO OF THE LIMITED, INC. APPEARS HERE] =====

S T O C K    A W A R D

STOCK OPTION AGREEMENT  
ACKNOWLEDGEMENT OF RECEIPT

This Stock Option Agreement is entered into by and between The Limited, Inc. (the "Company"), and the associate of the Company whose name appears below (the "Associate") in order to set forth the terms and conditions of Options granted to the Associate under The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (1997 Restatement) ("the Plan").

Associate's Name:   ARNOLD F. KANARICK

Division:           LIMITED INC.

Social Security #:

Address:

Plan Name	Date of Grant	Expiration Date	Number of Shares	Option Price	Exercise Date	Schedule Shares
1993 ISO PLAN (97 RESTATEMENT)	05/20/97	05/21/07	6,918	\$19.5000	05/20/02	1,790
					05/20/03	5,128
1993 NQ PLAN (97 RESTATEMENT)	05/20/97	05/21/07	243,082	\$19.5000	05/20/98	25,000
					05/20/99	25,000
					05/20/00	25,000
					05/20/01	37,500
					05/20/02	48,210
					05/20/03	82,372

Subject to the attached Terms and Conditions and the terms of the Plan, which are incorporated herein by reference, the Company hereby grants to the Associate, Options to purchase shares of Common Stock of the Company, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

THE LIMITED, INC.

ASSOCIATE

By: /s/ Leslie H. Wexner

/s/ Arnold F. Kanarick

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Leslie H. Wexner, Chairman

===== Please return one signed copy of this agreement to =====

The Limited, Inc.  
Three Limited Parkway  
Columbus, OH 43230  
614-415-7000

===== [LOGO OF THE LIMITED, INC. APPEARS HERE] =====

S T O C K    A W A R D

RESTRICTED STOCK AGREEMENT  
ACKNOWLEDGEMENT OF RECEIPT

This Restricted Stock Agreement is entered into by and between The Limited, Inc. (the "Company"), and the associate or director of the Company whose name appears below (the "Associate") in order to set forth the terms and conditions of a Restricted Stock Award granted to the Associate under The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (1997 Restatement) ("the Plan").

Associate's Name:   ARNOLD F. KANARICK

Division:           LIMITED INC.

Social Security #:

Address:

Plan Name	Date of Grant	Number of Shares	Vesting Schedule* Date	Shares
93 RESTRICTED (97 RESTATEMENT)	05/20/97	150,000	05/20/98	15,000
			05/20/99	15,000
			05/20/00	15,000
			05/20/01	22,500
			05/20/02	30,000
			05/20/03	52,500

\* If employment is terminated by the Company other than for Cause or by the Associate for Good Reason, vesting will be at 16% for each full year following the date of grant for the first five years, and 20% for the sixth year (offset by any shares previously vested under the normal schedule).

Subject to the attached Terms and Conditions of this Agreement and the terms of the Plan, which are incorporated herein by reference, the Company hereby grants to the Associate Restricted shares, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

THE LIMITED, INC.

ASSOCIATE

By: /s/ Leslie H. Wexner

/s/ Arnold F. Kanarick

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Leslie H. Wexner, Chairman

This Restricted Stock Agreement is granted and the 5/20/98 vesting segment of the award will be earned based on achieving a X% increase in the sales growth for The Limited, Inc. in the Fall season of 1997 over the Fall season of 1996. Further, the balance of the award will be earned and vest as outlined in the above schedule based on achieving a X% increase in sales growth for The Limited, Inc. for the 1998 fiscal year over the 1997 fiscal year.

===== Please return one signed copy of this agreement to =====

The Limited, Inc.  
Three Limited Parkway  
Columbus, OH 43230  
614-415-7000

## EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of May 20, 1997, by and between MAST Industries, Inc. and The Limited Inc., a Delaware corporation (the "Company"), and Martin Trust (the "Executive") (hereinafter collectively referred to as "the parties").

WHEREAS, the Executive has heretofore been employed as President and Chief Executive Officer - MAST Industries, and is experienced in all phases of its business and possesses an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods and personnel; and

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

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

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

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

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be for the period commencing on the date hereof (the "Commencement Date") and ending on the sixth anniversary of the Commencement Date (the "Initial Term");

provided, however, that upon the expiration of the Initial Term, this Agreement

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

2. Employment.

(a) Position. The Executive shall be employed as the President and

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

(b) Obligations. The Executive agrees to devote his full business

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time and attention to the business and affairs of the Company. The foregoing, however, shall not preclude the Executive from serving on corporate, civil or charitable boards or committees or

managing personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities hereunder.

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

Executive during the term of this Agreement a base salary at the rate of \$700,000. This base salary will be subject to annual review and may be increased from time to time by the Board considering factors such as the executive's responsibilities, compensation of similar executives within the company and in other companies, performance of the executive and other pertinent factors (hereinafter referred to as the "Base Salary"). Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Company shall grant to the Executive

rights to receive 200,000 shares of the Company's common stock and options to acquire 300,000 shares of the Company's common stock pursuant to the terms of the agreements attached hereto as Exhibits A and B.

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

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

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

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

7. Other Benefits.

(a) Life Insurance.

(1) During the term of the Agreement, the Company shall maintain term life insurance coverage on the life of the Executive in the amount of \$5,000,000, the proceeds of which shall be payable to the beneficiary or beneficiaries designated by the Executive. The Executive agrees to undergo any reasonable physical examination and other procedures as may be necessary to maintain such policy.

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

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

Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by his in

connection with the performance of his duties hereunder or for promoting, pursuing or otherwise furthering the business or interests of the Company.

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

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

8. Vacation. The Executive shall be entitled to annual vacation in  
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accordance with the policies as periodically established by the Board for similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder may be  
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terminated under the following circumstances:

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

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

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

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

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

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

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employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive as President and Chief Executive Officer - MAST Industries or such other capacity as contemplated by Section 2 hereof; (ii) the assignment to the Executive of any duties materially inconsistent with the

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

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

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

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

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

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

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

10. Compensation Upon Termination.

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

gives such written notice not to extend, the Company shall continue to pay the premiums provided for in Section 7(a)(1)



through the end of the calendar year in which the Executive's termination occurs. The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Employee Covenants.

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

term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean disclosure by the Executive without the prior written consent of the Board to any person, other than an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any information relating to the business or prospects of the Company (including, but not limited to, any confidential information with respect to any of the Company's customers, products, methods of distribution, strategies, business and marketing plans and business policies and practices); provided, however, that such term shall not include the use or disclosure by the

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

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

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

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

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

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

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

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

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

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this Section 11 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages, and to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and

the Company further agree that the provisions of the covenants not to compete and solicit are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. Should a court determine, however, that any provision of the covenants is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

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

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paragraph shall not, in and of itself, preclude the Executive from defending himself against the enforceability of the covenants and agreements of this Section 11.

12. Limitation of Payments.  
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(a) Gross-Up Payment. In the event it shall be determined that any

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

(b) All determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and any amounts relevant to the last sentence of Subsection 12(a), shall be made by an independent accounting firm selected by the Company from among the largest six accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five (5) days of the Termination Date, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of uncertainty in the

application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

(c) As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

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

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

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

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

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Section 11(d) hereof, if in the event of any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement, either party delivers to the other party a written demand for arbitration of a controversy or claim then such claim or controversy shall be submitted to binding arbitration. The binding arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration shall take place in Columbus, Ohio. Each of the Company and the Executive shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to award punitive damages against the Company or the Executive. The arbitrator shall have no authority to add to, alter, amend or refuse to enforce any portion of the disputed agreements. The Company and the Executive each waive any right to a jury trial or to petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement.

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

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

To the Executive:

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Martin Trust  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX

To the Company:

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

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

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payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be

affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others.

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

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

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

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

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

THE LIMITED, INC.

By: /s/ Leslie H. Wexner  
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Name: Leslie H. Wexner  
Title: Chairman of the Board

/s/ Martin Trust  
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Martin Trust

===== [LOGO OF THE LIMITED, INC. APPEARS HERE] =====

S T O C K   A W A R D

STOCK OPTION AGREEMENT  
ACKNOWLEDGEMENT OF RECEIPT

This Stock Option Agreement is entered into by and between The Limited, Inc. (the "Company"), and the associate of the Company whose name appears below (the "Associate") in order to set forth the terms and conditions of Options granted to the Associate under The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (1997 Restatement) (the "Plan").

Associate's Name: MARTIN TRUST

Division: MAST

Social Security #:

Address:

Plan Name	Date of Grant	Expiration Date	Number of Shares	Option Price	Exercise Schedule Date	Shares
1993 ISO PLAN (97 RESTATEMENT)	05/20/97	05/21/07	5,993	\$19.5000	05/20/02	865
					05/20/03	5,128
1993 NQ PLAN (97 RESTATEMENT)	05/20/97	05/21/07	294,007	\$19.5000	05/20/98	30,000
					05/20/99	30,000
					05/20/00	30,000
					05/20/01	45,000
					05/20/02	59,135
					05/20/03	99,872

Subject to the attached Terms and Conditions and the terms of the Plan, which are incorporated herein by reference, the Company hereby grants to the Associate, Options to purchase shares of Common Stock of the Company, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

THE LIMITED, INC.

ASSOCIATE

By: /s/ Leslie H. Wexner  
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Leslie H. Wexner, Chairman

/s/ Martin Trust  
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===== Please return one signed copy of this agreement to =====

The Limited, Inc.  
Three Limited Parkway  
Columbus, OH 43230  
614-415-7000



===== [LOGO OF THE LIMITED, INC. APPEARS HERE] =====

S T O C K    A W A R D

RESTRICTED STOCK AGREEMENT  
ACKNOWLEDGEMENT OF RECEIPT

This Restricted Stock Agreement is entered into by and between The Limited, Inc. (the "Company"), and the associate or director of the Company whose name appears below (the "Associate") in order to set forth the terms and conditions of a Restricted Stock Award granted to the Associate under The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (1997 Restatement) ("the Plan").

Associate's Name:    MARTIN TRUST

Division:            MAST

Social Security #:

Address:

Plan Name	Date of Grant	Number of Shares	Vesting Schedule* Date	Shares
93 RESTRICTED (97 RESTATEMENT)	05/20/97	200,000	05/20/98	20,000
			05/20/99	20,000
			05/20/00	20,000
			05/20/01	30,000
			05/20/02	40,000
			05/20/03	70,000

\* If employment is terminated by the Company other than for Cause or by the Associate for Good Reason, vesting will be at 16% for each full year following the date of grant for the first five years, and 20% for the sixth year (offset by any shares previously vested under the normal schedule).

Subject to the attached Terms and Conditions of this Agreement and the terms of the Plan, which are incorporated herein by reference, the Company hereby grants to the Associate Restricted shares, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

THE LIMITED, INC.

ASSOCIATE

By: /s/ Leslie H. Wexner

/s/ Martin Trust

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Leslie H. Wexner, Chairman

This Restricted Stock Agreement is granted and the 5/20/98 vesting segment of the award will be earned based on achieving a x% increase in the sales growth for The Limited, Inc. in the Fall season of 1997 over the Fall season of 1996. Further, the balance of the award will be earned and vest as outlined in the above schedule based on achieving a x% increase in sales growth for The Limited, Inc. for the 1998 fiscal year over the 1997 fiscal year.

===== Please return one signed copy of this agreement to =====

The Limited, Inc.  
Three Limited Parkway  
Columbus, OH 43230  
614-415-7000

## EXHIBIT 12

THE LIMITED, INC. AND SUBSIDIARIES  
 RATIO OF EARNINGS TO FIXED CHARGES  
 (Thousands)

	Year Ended				
	January 31, 1998	February 1, 1997	February 3, 1996	January 28, 1995	January 29, 1994
<b>Adjusted Earnings</b>					
Pretax earnings	\$400,390	\$675,208	\$1,184,511	\$744,343	\$644,999
Portion of minimum rent (\$744,775 in 1997, \$714,482 in 1996, \$669,301 in 1995, \$614,147 in 1994 and \$572,278 in 1993) representative of interest	248,258	238,161	223,100	204,716	190,759
Interest on indebtedness	68,728	75,363	77,537	65,381	63,865
Minority interest	56,473	45,646	22,374	--	--
<b>Total earnings as adjusted</b>	<b>\$773,849</b>	<b>\$1,034,378</b>	<b>\$1,507,522</b>	<b>\$1,014,440</b>	<b>\$899,623</b>
<b>Fixed Charges</b>					
Portion of minimum rent representative of interest	\$248,258	\$238,161	\$223,100	\$204,716	\$190,759
Interest on indebtedness	68,728	75,363	77,537	65,381	63,865
<b>Total fixed charges</b>	<b>\$316,986</b>	<b>\$313,524</b>	<b>\$300,637</b>	<b>\$270,097</b>	<b>\$254,624</b>
<b>Ratio of earnings to fixed charges</b>	<b>2.44x</b>	<b>3.30x</b>	<b>5.01x</b>	<b>3.76x</b>	<b>3.53x</b>

## EXHIBIT 13

## financials

## Financial Summary

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

	1997	1996	A B E 1995	1994	A 1993	1992
<b>SUMMARY OF OPERATIONS</b>						
Net Sales	\$9,188,804	\$8,644,791	\$7,881,437	\$7,320,792	\$7,245,088	\$6,944,296
Gross Income	\$2,817,977	\$2,496,579	\$2,087,532	\$2,114,363	\$1,958,835	\$1,990,740
Operating Income	\$480,099	\$636,067	\$613,349	\$798,989	\$701,556	\$788,698
Operating Income as a Percentage of Sales	5.2%	7.4%	7.8%	10.9%	9.7%	11.4%
Adjusted Operating Income	C\$706,314	C\$648,067	C\$612,035	798,989	C\$698,939	\$788,698
Adjusted Operating Income as a Percentage of Sales	C7.7%	C7.5%	C7.8%	10.9%	C9.6%	11.4%
Net Income	\$217,390	\$434,208	\$961,511	\$448,343	\$390,999	\$455,497
Net Income as a Percentage of Sales	2.4%	5.0%	12.2%	6.1%	5.4%	6.6%
Adjusted Net Income	D\$341,199	D\$321,830	D\$311,230	\$448,343	D\$389,382	D\$446,380
Adjusted Net Income as a Percentage of Sales	D3.7%	D3.7%	D4.0%	6.1%	D5.4%	D6.4%
<b>PER SHARE RESULTS</b>						
Net Income Per Basic Share	\$0.80	\$1.55	\$2.69	\$1.25	\$1.09	\$1.26
Net Income Per Diluted Share	\$0.79	\$1.54	\$2.68	\$1.25	\$1.08	\$1.25
Adjusted Net Income Per Diluted Share	D\$1.24	D\$1.14	D\$0.87	\$1.25	D\$1.08	D\$1.23
Dividends	\$0.48	\$0.40	\$0.40	\$0.36	\$0.36	\$0.28
Book Value	\$7.50	\$7.09	\$9.01	\$7.72	\$6.82	\$6.25
Weighted Average Diluted Shares Outstanding	274,483	282,053	358,371	358,601	363,234	363,738
<b>OTHER FINANCIAL INFORMATION</b>						
Total Assets	\$4,300,761	\$4,120,002	\$5,266,563	\$4,570,077	\$4,135,105	\$3,846,450
Return on Average Assets	5%	9%	20%	10%	10%	13%
Adjusted Return on Average Assets	D8%	D7%	D6%	10%	D10%	D12%
Working Capital	\$937,739	\$638,204	\$2,018,960	\$1,750,111	\$1,513,181	\$1,063,352
Current Ratio	1.9	1.7	3.5	3.2	3.1	2.5
Capital Expenditures	\$404,602	\$409,260	\$374,374	\$319,676	\$295,804	\$429,545
Long-Term Debt	\$650,000	\$650,000	\$650,000	\$650,000	\$650,000	\$541,639
Debt-to-Equity Ratio	32%	34%	20%	24%	27%	24%
Shareholders' Equity	\$2,044,957	\$1,922,582	\$3,201,041	\$2,760,956	\$2,441,293	\$2,267,617
Return on Average Shareholders' Equity	11%	17%	32%	17%	17%	22%
Adjusted Return on Average Shareholders' Equity	D17%	D16%	D10%	17%	D17%	D22%
Comparable Store Sales Increase (Decrease)	0%	3%	(2%)	(3%)	(1%)	2%
<b>STORES AND ASSOCIATES AT END OF YEAR</b>						
Total Number of Stores Open	5,640	5,633	5,298	4,867	4,623	4,425
Selling Square Feet	28,400,000	28,405,000	27,403,000	25,627,000	24,426,000	22,863,000
Number of Associates	131,000	123,100	106,900	105,600	97,500	100,700

SUMMARY OF OPERATIONS	B 1991	B 1990	A E 1989	B 1988	1987
Net Sales	\$6,149,218	\$5,253,509	\$4,647,916	\$4,070,777	\$3,527,941
Gross Income	\$1,793,543	\$1,630,439	\$1,446,635	\$1,214,703	\$992,775
Operating Income	\$712,700	\$697,537	\$625,254	\$467,418	\$408,872
Operating Income as a Percentage of Sales	11.6%	13.3%	13.5%	11.5%	11.6%
Adjusted Operating Income	\$712,700	\$697,537	\$625,254	\$467,418	\$408,872
Adjusted Operating Income as a Percentage of Sales	11.6%	13.3%	13.5%	11.5%	11.6%
Net Income	\$403,302	\$398,438	\$346,926	\$245,136	\$235,188
Net Income as a Percentage of Sales	6.6%	7.6%	7.5%	6.0%	6.7%
Adjusted Net Income	\$403,302	\$398,438	\$346,926	\$245,136	\$235,188
Adjusted Net Income as a Percentage of Sales	6.6%	7.6%	7.5%	6.0%	6.7%
PER SHARE RESULTS					
Net Income Per Basic Share	\$1.12	\$1.11	\$0.97	\$0.68	\$0.63
Net Income Per Diluted Share	\$1.11	\$1.10	\$0.96	\$0.68	\$0.62
Adjusted Net Income Per Diluted Share	\$1.11	\$1.10	\$0.96	\$0.68	\$0.62
Dividends	\$0.28	\$0.24	\$0.16	\$0.12	\$0.12
Book Value	\$5.19	\$4.33	\$3.45	\$2.64	\$2.04
Weighted Average Diluted Shares Outstanding	363,594	362,044	361,288	360,186	376,626
OTHER FINANCIAL INFORMATION					
Total Assets	\$3,418,856	\$2,871,878	\$2,418,486	\$2,145,506	\$1,929,477
Return on Average Assets	13%	15%	15%	12%	13%
Adjusted Return on Average Assets	13%	15%	15%	12%	13%
Working Capital	\$1,084,205	\$884,004	\$685,524	\$567,639	\$629,783
Current Ratio	3.1	2.8	2.4	2.2	2.9
Capital Expenditures	\$523,082	\$428,844	\$318,427	\$288,972	\$283,590
Long-Term Debt	\$713,758	\$540,446	\$445,674	\$517,952	\$681,000
Debt-to-Equity Ratio	38%	35%	36%	55%	93%
Shareholders' Equity	\$1,876,792	\$1,560,052	\$1,240,454	\$946,207	\$729,171
Return on Average Shareholders' Equity	23%	28%	32%	29%	31%
Adjusted Return on Average Shareholders' Equity	23%	28%	32%	29%	31%
Comparable Store Sales Increase (Decrease)	3%	3%	9%	8%	3%
STORES AND ASSOCIATES AT END OF YEAR					
Total Number of Stores Open	4,194	3,760	3,344	3,497	3,115
Selling Square Feet	20,355,000	17,008,000	14,374,000	14,296,000	12,795,000
Number of Associates	83,800	72,500	63,000	56,700	50,200

A Includes the results of companies disposed of up to the disposition date. Effective April 30, 1989, the Company sold its Lerner Woman Division, effective August 31, 1993, the Company sold 60% of its interest in Brylane, Inc. and effective January 31, 1996 the Company sold 60% of its interest in World Financial Network National Bank.

B Includes the results of Abercrombie & Fitch subsequent to the February 1, 1988 acquisition date, Penhaligon's subsequent to the July 2, 1990 acquisition date, Gryphon subsequent to June 1, 1991 when the Company acquired a controlling interest and Galyan's subsequent to the July 2, 1995 acquisition date.

C Excludes the effect on operating income of special and nonrecurring items of (\$213,215) in 1997, (\$12,000) in 1996, \$1,314 in 1995 (see Note 2 to the Consolidated Financial Statements) and \$2,617 in 1993. Additionally, inventory liquidation charges of (\$13,000) related to Henri Bendel store

closings are excluded from 1997.

D In addition to excluding special charges listed in (c) above, excludes the effect on net income of the gain resulting from the initial public offerings of \$8,606 for Brylane, Inc. in 1997, \$118,178 for a 15.8% interest in Abercrombie & Fitch in 1996, \$649,467 for a 16.9% interest in Intimate Brands, Inc. in 1995 (see Note 1 to the Consolidated Financial Statements) and \$9,117 for United Retail Group in 1992.

E Fifty-three-week fiscal year.

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## Management's Discussion and Analysis

### Results of Operations

Net sales for the fourth quarter of 1997 grew 10% to \$3.268 billion from \$2.966 billion for the same period a year ago. Net income was \$85.3 million versus \$213.4 million in the fourth quarter of 1996, and earnings per diluted share were \$.31 versus \$.78 in the fourth quarter of 1996. Excluding special and nonrecurring items and inventory liquidation charges associated with the closing of five Henri Bendel stores, net income was \$252.5 million versus \$220.2 million in the fourth quarter of 1996, and earnings per diluted share were \$.91 versus \$.81 in the fourth quarter of 1996.

As a result of an ongoing review of the Company's retail businesses and investments as well as implementation of initiatives intended to promote and strengthen the Company's various retail brands (including closing businesses, identification and disposal of non-core assets and identification of store locations not consistent with a particular brand) during the fourth quarter of 1997, the Company recognized total charges of \$289 million (approximately \$30 million after-tax cash impact) or \$.60 per diluted share, consisting of \$276 million in special and nonrecurring charges and a \$13 million cost of sales charge for inventory liquidation at Henri Bendel. These charges included:

- . A \$68 million charge for closing the 118 store Cacique lingerie business effective January 31, 1998. The amount includes \$38 million in cash charges relating to cancellation of merchandise on order and other exit costs such as severance, service contract termination fees and lease termination costs;

- . \$95 million in charges related to Henri Bendel, which include an \$82 million special and nonrecurring charge related to streamlining Henri Bendel from six stores to a one-store operation by September 1, 1998. The amount includes \$56 million in cash charges that are recorded in other current liabilities. In addition, the Company incurred a \$13 million cost of sales charge for inventory liquidation. The charge to cost of sales is in accordance with Emerging Issues Task Force ("EITF") Issue No. 96-9, "Classification of Inventory Markdowns and Other Costs Associated with a Restructuring";

- . \$86 million of impaired asset charges related principally to the women's apparel businesses, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This charge has no cash impact but is an SFAS No. 121 required accounting adjustment to measure the fair value of store assets, and will provide a noncash benefit in future periods from reduced depreciation and amortization;

- . A \$28 million provision for closing or downsizing approximately 80 oversized stores, primarily in the Limited, Lane Bryant, Lerner New York and Express women's businesses, and a \$12 million write-down to net realizable value of a real estate investment previously acquired in connection with closing and downsizing certain stores.

Net sales for the fiscal year ended January 31, 1998, increased 6% to \$9.189 billion from sales of \$8.645 billion for the same period ended February 1, 1997. Net income was \$217.4 million, or \$.79 per diluted share, compared to \$434.2 million, or \$1.54 per diluted share last year.

Excluding the impact of special and nonrecurring items, gains in connection with initial public offerings ("IPO"), and the Henri Bendel inventory liquidation charges, the Company would have earned \$1.24 per diluted share compared to last year's \$1.14. These excluded items consisted of: 1) \$213.2 million related to the previously described fourth quarter charges that was net of a third quarter net gain of \$62.8 million related principally to the sale of approximately one-half of the Company's investment in Brylane, Inc. ("Brylane"), a 26% owned (post-IPO) catalogue retailer; 2) in 1997, a pretax gain of \$8.6 million in connection with the IPO of Brylane; 3) \$12 million of special and nonrecurring charges in 1996 related to the April 1997 sale of Penhaligon's; and 4) in 1996, a gain of \$118.2 million resulting from the Abercrombie & Fitch ("A&F") IPO.

Business highlights for 1997 include the following:

- . Intimate Brands, Inc. ("IBI"), led by strong performances at Bath & Body Works and Victoria's Secret Stores, recorded earnings per diluted share of \$1.14, compared to \$1.02 in 1996, including special and nonrecurring charges of \$.16 in 1997 and \$.03 in 1996.

- . A&F delivered 1997 earnings per diluted share of \$.94, a 74% increase over 1996 as comparable store sales increased 21% on top of 13% for 1996.

- . However, much of the gains from IBI and A&F were offset by a decline in operating income for each of the women's businesses, which finished the year with a pretax operating loss aggregating \$268 million, including special and nonrecurring charges of \$187 million and the \$13 million inventory liquidation charge related to the closing of five Henri Bendel stores.

- . Limited Too led the emerging businesses with a significant improvement in operating income and 20% comparable store sales gains.

- . During the year, the Company also completed the sales of its interests in the Newport Office Tower in Jersey City, New Jersey, and The Mall at Tuttle Crossing in Columbus, Ohio, and approximately one-half of its interest in Brylane for cash proceeds of \$343.2 million.

- . On February 17, 1998, a registration statement was filed with the Securities and Exchange Commission in connection with a plan to establish A&F as a fully

independent company via a tax-free exchange offer pursuant to which The Limited shareholders will be given an opportunity to tender some or all of their shares of The Limited in return for shares of A&F. The transaction is subject to certain customary conditions.

. On February 20, 1998, the Company entered into a definitive agreement with Pinault Printemps-Radoute to sell its remaining 2.6 million shares of Brylane for \$51 per share, generating net cash proceeds of \$131 million. The transaction is expected to close in the first quarter of 1998.

The Company does not believe that the consummation of the transactions and the taking of the other actions outlined above will have a material effect on the Company's liquidity (i.e., its ability to provide the resources to support operations, projected growth, seasonal requirements and capital expenditures). Furthermore, although the Company believes that such transactions and other actions should have a favorable impact on the Company's results of operations, there can be no assurance with respect to the effect of these actions.

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The following summarized financial data compares 1997 to the comparable periods for 1996 and 1995 (millions):

	1997	1996	1995	% Change	
				1997-96	1996-95
<b>Net Sales</b>					
Express	\$1,189	\$1,386	\$1,445	(14%)	(4%)
Lerner New York	946	1,045	1,005	(9%)	4%
Lane Bryant	907	905	903	--	--
The Limited	776	855	850	(9%)	1%
Henri Bendel	83	91	91	(9%)	--
<b>Total Women's Brands</b>	<b>\$3,901</b>	<b>\$4,282</b>	<b>\$4,294</b>	<b>(9%)</b>	<b>--</b>
Structure	660	660	576	--	15%
Limited Too	322	259	214	24%	21%
Galyan's Trading Co. (since 7/2/95)	160	108	45	48%	n/m
Other	6	4	--	n/m	n/m
<b>Total Emerging Brands</b>	<b>\$1,148</b>	<b>\$1,031</b>	<b>\$835</b>	<b>11%</b>	<b>23%</b>
Victoria's Secret Stores	1,702	1,450	1,286	17%	13%
Victoria's Secret Catalogue	734	684	661	7%	3%
Bath & Body Works	1,057	753	475	40%	59%
Cacique	95	88	80	8%	10%
Other	30	22	15	n/m	n/m
<b>Total Intimate Brands</b>	<b>\$3,618</b>	<b>\$2,997</b>	<b>\$2,517</b>	<b>21%</b>	<b>19%</b>
Abercrombie & Fitch	\$522	\$335	\$235	56%	43%
<b>Total Net Sales</b>	<b>\$9,189</b>	<b>\$8,645</b>	<b>\$7,881</b>	<b>6%</b>	<b>10%</b>
<b>Operating Income</b>					
Women's Brands	A\$(268)	\$64	E\$54	n/m	19%
Emerging Brands and Other	B159	68	F149	134%	(54%)
Intimate Brands	C505	D458	386	10%	19%
Abercrombie & Fitch	84	46	24	83%	92%
<b>Total Operating Income</b>	<b>\$480</b>	<b>\$636</b>	<b>\$613</b>	<b>(25%)</b>	<b>4%</b>

A 1997 includes special and nonrecurring charges of approximately \$187 million relating to the closure of five out of six Henri Bendel stores and charges associated with asset valuation impairment and the closure and downsizing of certain stores, plus \$13 million in inventory liquidation charges associated with the Henri Bendel closings.

B 1997 includes \$42 million of special and nonrecurring income relating to the gain from the sale of approximately one-half of the Company's interest in Brylane, offset by a valuation adjustment on an investment.

C 1997 includes a \$68 million charge related to the closing of the Cacique business effective January 31, 1998.

D 1996 includes a special and nonrecurring charge of \$12 million for revaluation of certain assets in connection with the sale of Penhaligon's in April 1997.

E 1995 includes a special and nonrecurring charge of approximately \$48 million, primarily for store closings and downsizings.

F 1995 includes 100% of WFNNB's operating income of \$114 million before interest expense versus \$4 million, representing 40% of net income of \$11 million in 1996; 1995 also includes an approximate \$73 million gain from



the sale of a 60% interest in WFNNB, partially offset by \$23 million of special and nonrecurring charges representing write-downs to net realizable value of certain assets.

n/m not meaningful

The following summarized financial data compares 1997 to the comparable periods for 1996 and 1995:

	1997	1996	1995
Comparable Store Sales:			
Express	(15%)	(6%)	(2%)
Lerner New York	(5%)	8%	(1%)
Lane Bryant	1%	0%	(8%)
The Limited	(7%)	3%	(4%)
Henri Bendel	(13%)	(5%)	6%
Total Women's Brands	(8%)	0%	(3%)
Structure	(3%)	7%	(9%)
Limited Too	20%	8%	(4%)
Galyan's Trading Co. (since 7/2/96)	0%	12%	--
Total Emerging Brands	3%	7%	(8%)
Victoria's Secret Stores	11%	5%	(1%)
Bath & Body Works	11%	11%	21%
Cacique	10%	8%	(20%)
Total Intimate Brands	11%	7%	1%
Abercrombie & Fitch	21%	13%	5%
Total Comparable Store Sales Increase (Decrease)	0%	3%	(2%)

	1997	1996	1995	% Change	
				1997-96	1996-95
Store Data:					
Retail Sales Increase Attributable to New and Remodeled Stores	6%	8%	9%		
Retail Sales per Average Selling Square Foot	\$295	\$285	\$272	4%	5%
Retail Sales per Average Store (thousands)	\$1,478	\$1,453	\$1,419	2%	2%
Average Store Size at End of Year (selling square feet)	5,035	5,043	5,172	--	(2%)
Retail Selling Square Feet at End of Year (thousands)	28,400	28,405	27,403	--	4%

Number of Stores:			
Beginning of Year	5,633	5,298	4,867
Opened	315	470	504
Acquired (Sold)	(4)	--	6
Closed	(304)	(135)	(79)
End of Year	5,640	5,633	5,298

#### Net Sales

Fourth quarter 1997 sales as compared to sales for the fourth quarter 1996 increased 10% to \$3.268 billion due to 5% comparable store sales gains with the balance of the increase attributable to new and remodeled stores and increased catalogue sales. Thirteen-week fourth quarter 1996 sales as compared to sales for the fourteen-week fourth quarter 1995 increased 7% to \$2.966 billion due to a 9%



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increase in sales attributable to new and remodeled stores and a 3% increase in comparable store sales, offset by a 5% decrease due to the fifty-third week in 1995.

The 1997 retail sales increase of 6% was attributable to the Company adding 315 new stores, remodeling 206 stores and closing 186 stores (excluding closing 118 Cacique stores in January 1998 and the sale of four Penhaligon's stores in the first quarter of 1997). This net addition of 129 stores represents over 365,000 square feet of new retail selling space. For the year, average sales productivity increased 4% to \$295 per square foot.

In 1997, IBI accounted for 114% of the Company's total net sales increase and 39% of total Company sales. IBI posted a \$620 million sales gain over the prior year due to the net addition of 223 stores (before the impact of the Cacique store closings and the Penhaligon's sale) representing over 650,000 new retail selling square feet, an 11% increase in comparable store sales and an 18% increase in catalogues mailed by Victoria's Secret Catalogue. Additionally, A&F reported a \$186 million sales increase over the prior year, bolstered by a 21% increase in comparable store sales, while Limited Too experienced a \$63 million sales increase over the prior year on a 20% increase in comparable store sales. However, sales at the women's businesses in 1997 declined \$382 million from 1996, primarily due to an 8% decrease in comparable store sales, as well as a net decrease of 131 stores representing over 705,000 retail selling square feet, due principally to closures of underperforming locations.

The 1996 retail sales increase of 10% was attributable to an 8% increase in sales due to the Company adding 470 new stores, remodeling 252 stores and closing 135 stores, and a 3% increase in comparable store sales, offset by a 1% decrease due to the fifty-third week in 1995. This net addition of 335 stores represents approximately 1 million square feet of new retail selling space. For the year, average sales productivity increased 5% to \$285 per square foot.

In 1996, IBI accounted for 63% of the annual sales increase, and nearly 35% of total Company sales, posting a \$480 million sales increase over the prior year due to the net addition of 316 stores representing over 817,000 selling square feet, a 7% increase in comparable store sales and an 11% increase in catalogues mailed by Victoria's Secret Catalogue. Sales at the women's businesses in 1996 were flat to 1995, primarily due to flat comparable store sales. Disappointing results at Express, which experienced a 6% decline in comparable store sales, were offset by improved results at the Lerner New York and Limited businesses, which had 8% and 3% increases in comparable store sales. In addition, the overall sales increase for the Company included sales increases at Structure, A&F and Limited Too, which experienced 7%, 13% and 8% increases in comparable store sales.

## Gross Income

Gross income increased to 35.4% as a percentage of sales for the fourth quarter 1997 from 33.0% for the fourth quarter 1996. The merchandise margin rate (representing gross income before deduction of buying and occupancy costs), increased 2.3%, expressed as a percentage of sales, due principally to improved initial markup ("IMU"), which was partially offset by a slightly higher markdown rate and the \$13 million Henri Bendel inventory liquidation charge (.4% of sales). Buying and occupancy costs, expressed as a percentage of sales, were flat for the fourth quarter as compared to last year.

Gross income, expressed as a percentage of sales, was 33.0% for the fourth quarter 1996 compared to 29.2% for the fourth quarter 1995. The merchandise margin rate increased 3.4%, expressed as a percentage of sales, due principally to improved IMU and lower markdown rates, as the Company was less price-promotional than the year before. Buying and occupancy costs decreased .4%, expressed as a percentage of sales, primarily due to sales productivity associated with the 3% increase in comparable store sales.

The Company's 1997 gross income rate increased 1.8% to 30.7% as compared to 1996. The merchandise margin rate increased 1.7% due principally to improved IMU, while buying and occupancy costs, expressed as a percentage of sales, were flat to last year.

The 1996 gross income rate of 28.9% increased 2.4% as compared to 1995. Merchandise margins, expressed as a percentage of sales, increased 1.7%, due principally to improved initial markup. Buying and occupancy costs decreased .7% expressed as a percentage of sales, primarily due to sales productivity associated with the 3% increase in comparable store sales.

## General, Administrative and Store Operating Expenses

General, administrative and store operating expenses increased to 20.8%, expressed as a percentage of sales, in the fourth quarter of 1997, compared to 18.7% in the fourth quarter of 1996. This increase was attributable to: 1) a 2.5% rate increase at the IBI businesses (discussed below) combined with an increase of IBI sales in the total Company mix to 42.7% from 39.1%; 2) the inability to leverage these expenses at the women's businesses due to disappointing sales performance; and 3) additional compensation charges for restricted stock plans.

IBI's increase is primarily the result of advertising costs at Victoria's Secret Stores, the growth of Bath & Body Works in the overall mix of IBI net sales from 25.1% in fiscal 1996 to 29.2% in fiscal 1997 and an increase in restricted stock plan compensation expense. Due to an emphasis on point-of-sale marketing and sales floor coverage for personal care products, Bath & Body Works has higher store operating expenses as a percentage of net sales, which has been more than offset by higher gross margins.

The Company anticipates that these expenses, expressed as a percentage of

sales, will increase slightly in 1998, since the IBI businesses, in particular Bath & Body Works, will represent a greater portion of total Company sales.

General, administrative and store operating expenses, expressed as a percentage of sales, increased to 18.7% in the fourth quarter of 1996 compared to 17.7% in the fourth quarter of 1995. This

increase as a percentage of sales was attributable to a 2.2% rate increase at the IBI businesses and the inability to leverage expenses due to disappointing sales performance at the women's businesses, particularly Express.

General, administrative and store operating expenses increased, expressed as a percentage of sales, to 23.1% in 1997, compared to 21.4% in 1996. This increase was primarily attributable to the reasons discussed above for the 1997 fourth quarter. These costs increased, expressed as a percentage of sales, to 21.4% in 1996 compared to 20.0% in 1995, also primarily due to reasons discussed above for fourth quarter 1996.

Special and Nonrecurring Items

As described in Note 2 to the Consolidated Financial Statements, the Company recognized special and nonrecurring charges of \$276 million during the fourth quarter of 1997 comprised of: 1) a \$68 million charge for the closing of the Cacique lingerie business effective January 31, 1998; 2) an \$82 million charge related to streamlining the Henri Bendel business from six stores to one store; 3) an \$86 million impaired-asset charge in accordance with SFAS No. 121, related principally to the women's apparel businesses, covering certain store locations where the asset carrying values are permanently impaired; and 4) a \$28 million provision for closing and downsizing approximately 80 oversized stores primarily within the Limited, Lerner New York, Lane Bryant and Express women's businesses and for a \$12 million write-down to net realizable value of a real estate investment previously acquired in connection with closing and downsizing certain stores. Additionally, the Company recognized a \$13 million charge to cost of sales in the fourth quarter of 1997 for inventory liquidation in accordance with EITF Issue No. 96-9. The Company, in accordance with EITF Issue No. 94-3, anticipates charges for severance and other associate termination costs for Henri Bendel in the first quarter of 1998 (the period the associates are notified). Additionally, the Company recognized a net \$62.8 million pretax gain during the third quarter of 1997 relating to the sale of approximately one-half of its investment in Brylane, partially offset by valuation adjustments on certain assets where the carrying values were permanently impaired.

In 1996, the Company recorded a \$12 million pretax, special and nonrecurring charge in connection with the 1997 sale of Penhaligon's, a U.K.-based subsidiary of IBI.

In the fourth quarter of 1995, the Company recognized a \$73.2 million pretax gain in connection with the sale of a 60% interest in the Company's wholly-owned credit card bank, World Financial Network National Bank ("WFN"). In addition, the Company recognized a special and nonrecurring charge during the fourth quarter of 1995 of approximately \$71.9 million. Of this amount, \$25.8 million was provided for the closing of 26 stores and \$19.8 million was provided for the downsizing of 33 stores, primarily at Limited and Lerner New York. The remaining charge of approximately \$26.3 million represented the write-down to market or net realizable value of certain assets arising from nonoperating activities. The net pretax gain from these special and nonrecurring items was \$1.3 million.

Operating Income

Fourth quarter operating income, expressed as a percentage of sales, was 6.1% in 1997, compared to 13.9% in 1996, and for the year was 5.2% in 1997 compared to 7.4% in 1996. Excluding charges for special and nonrecurring items in both years and the Henri Bendel inventory liquidation charge in 1997, fourth quarter operating income, expressed as a percentage of sales, would have been 15.0% in 1997 compared to 14.3% in 1996, and for the year would have been 7.7% in 1997 compared to 7.5% in 1996. These increases were due to increases in the gross income rate, which more than offset the general, administrative and store operating expense rate increase.

The fourth quarter operating income rate increased 2.4% in 1996, from 11.5% on an adjusted basis in 1995, and for the year increased .9% in 1996 from 6.5% on an adjusted basis in 1995. The 1995 rates were adjusted to reflect the 1995 sale of a 60% interest in WFN as if the sale was consummated at the beginning of the year. These increases were also due to increases in gross income, which more than offset the general, administrative and store operating expense rate increase.

Interest Expense

	FOURTH QUARTER		YEAR		
	1997	1996	1997	1996	1995
Average Daily Borrowings (millions)	\$891.4	\$1,039.5	\$835.9	\$964.3	\$887.7
Average Effective Interest Rate	8.07%	7.49%	8.22%	7.82%	8.73%

Interest expense decreased by \$1.5 million in the fourth quarter of 1997 and decreased by \$6.6 million for the year. For the quarter, lower average borrowing levels reduced interest expense by \$2.8 million, offset by a \$1.3 million increase resulting from higher rates. For the year, lower average borrowing levels reduced interest expense by \$10.0 million, offset by \$3.4 million of increased expense due to higher interest rates.

Other Income

The \$5.1 million decrease in other income for 1997 compared to 1996 was primarily attributable to approximately \$10.5 million of interest income earned in the first quarter of 1996, which arose from \$1.615 billion of temporarily invested funds that were used to consummate the Company's self-tender in March 1996. Excluding this \$10.5 million in 1996, interest earnings increased \$5.4 million from higher temporary investments in 1997, \$3.5 million of which was realized in the fourth quarter.

#### Gains in Connection with Initial Public Offerings

As discussed in Note 1 to the Consolidated Financial Statements, the Company recognized a pretax gain of \$8.6 million during the first quarter of 1997, in connection with the IPO of Brylane, a 26% owned (post-IPO) catalogue retailer. In 1996, the Company recognized a \$118.2 million gain in connection with the IPO of a 15.8% interest (8.05 million shares) of A&F. In 1995, the Company recognized a \$649.5 million gain in connection with the IPO

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of 16.9% (42.7 million shares) of the stock of IBI. The gains recorded by the Company in 1996 and 1995 were not subject to tax.

Other Data

There were a number of significant events in fiscal years 1997 and 1996 that impacted the comparability of the Company's net income per diluted share data. Although the following information is not intended to be presented in accordance with SEC guidelines for pro forma financial information, it is provided to assist in investors' understanding of the Company's results of operations.

. In 1997 and 1996, the Company recognized \$213.2 million and \$12 million in special and nonrecurring charges along with the \$13 million Henri Bendel inventory liquidation charge in 1997 as more fully described in Note 2 to the Consolidated Financial Statements. The impact of these charges also reduced earnings attributable to minority interest by \$6.8 million and \$1.0 million in 1997 and 1996.

. The Company recognized pretax gains in connection with IPOs of \$8.6 million and \$118.2 million in 1997 and 1996 (see Note 1 to the Consolidated Financial Statements).

. The Company repurchased 85 million shares via a self-tender and, as a result of investing funds used to facilitate the self-tender, recognized approximately \$10.5 million of interest income in 1996 up to the effective date.

Adjusted for the income tax effect (an \$87 million expense in 1997 and a \$1.0 million expense in 1996), earnings per diluted share would have increased \$.45 per share in 1997 to \$1.24 and would have decreased \$.38 per share to \$1.16 in 1996.

Acquisition

Effective July 2, 1995, the Company acquired all of the outstanding common stock of Galyan's for \$18 million in cash and stock. The Company's financial statements include the results of operations of Galyan's since the acquisition date.

Financial Condition

The Company's balance sheet at January 31, 1998, provides continuing evidence of financial strength and flexibility. The Company's long-term debt-to-equity ratio declined to 32% at the end of 1997 from 34% in 1996, and working capital increased 47% over 1996 to \$938 million. A more detailed discussion of liquidity, capital resources and capital requirements follows.

Liquidity and Capital Resources

Cash provided by operating activities, commercial paper backed by funds available under committed long-term credit agreements, and the Company's capital structure continue to provide the resources to support current operations, projected growth, seasonal requirements and capital expenditures.

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

	1997	1996	A Adjusted 1995	1995
Cash Provided by Operating Activities	\$589,981	\$712,069	\$340,732	\$340,732
Working Capital	\$937,739	\$638,204	\$403,960	\$2,018,960
Capitalization:				
Long-Term Debt	\$650,000	\$650,000	\$650,000	\$650,000
Shareholders' Equity	2,044,957	1,922,582	1,586,041	3,201,041
Total Capitalization	\$2,694,957	\$2,572,582	\$2,236,041	\$3,851,041

Additional Amounts Available Under Long-Term Credit Agreements \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000

A Adjusted 1995 reflects the impact of the \$1.615 billion repurchase of 85 million shares of common stock.

Net cash provided by operating activities totaled \$590.0 million, \$712.1 million and \$340.7 million for 1997, 1996 and 1995 and continued to serve as the Company's primary source of liquidity.

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

	1997	1996	A Adjusted 1995	1995
Debt-to-Equity Ratio	32%	34%	41%	20%

(Long-Term Debt Divided by  
Shareholders' Equity)

Debt-to-Capitalization Ratio (Long-Term Debt Divided by Total Capitalization)	24%	25%	29%	17%
Interest Coverage Ratio (Income, Excluding Gain in Connection with Initial Public Offerings, Before Interest Expense, Depreciation, Amortization and Income Taxes Divided by Interest Expense)	11x	12x	12x	12x
Cash Flow to Capital Investment (Net Cash Provided by Operating Activities Divided by Capital Expenditures)	146%	174%	91%	91%

A Adjusted 1995 reflects the impact of the \$1.615 billion repurchase of 85  
million shares of common stock.



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Net cash provided from operating activities in 1997 decreased \$122.1 million from the prior year principally due to an increase in income tax payments, that was partially offset by slightly higher income from operations adjusted for special and nonrecurring items and gains from initial public offerings.

Investing activities included capital expenditures of \$405 million, about half of which was for new and remodeled stores. Investing activities also included \$235 million in net proceeds from the sales of the Newport Tower, an office building in Jersey City, New Jersey, and the Company's interest in The Mall at Tuttle Crossing in Columbus, Ohio, and \$108.3 million of net proceeds from the third quarter sale of slightly less than one-half of the Company's investment in Brylane. In 1996, \$41.3 million was invested in the Alliance Data Systems (formerly WFN) credit card venture. 1995 reflects the acquisition of Galyan's, the proceeds from the securitization of WFN's credit card receivables of \$1.2 billion (see Note 3 to the Consolidated Financial Statements) and the transfer of \$351.6 million to a restricted cash account (see Note 6 to the Consolidated Financial Statements).

Cash used for financing activities for 1997 reflects an increase in the quarterly dividend to \$.12 per share from \$.10 per share in 1996. Financing activities in 1996 included proceeds from and repayment of \$150 million in short-term debt borrowed by A&F and net proceeds of \$118.2 million from A&F's initial public offering. Financing activities also included \$1.615 billion used to repurchase 85 million shares of the Company's common stock via the self-tender consummated in March 1996. Cash dividends paid in 1996 and 1995 were \$.40 per share.

At January 31, 1998, the Company had available \$1 billion under its long-term credit agreement. The Company also has the ability to offer up to \$250 million of additional debt securities under its shelf registration statement.

Stores and Selling Square Feet

A summary of actual stores and selling square feet by business for 1997 and 1996, and the 1998 goals by business (including the impact of the estimated 280 stores that will be closed/downsized during the year) follows:

	Goal 1998	End of Year 1997	1996	Change From 1998-97	1997-96
<b>EXPRESS</b>					
Stores	712	753	753	(41)	--
Selling Square Ft.	4,481,000	4,739,000	4,726,000	(258,000)	13,000
<b>LERNER NEW YORK</b>					
Stores	668	746	784	(78)	(38)
Selling Square Ft.	5,041,000	5,698,000	5,984,000	(657,000)	(286,000)
<b>LANE BRYANT</b>					
Stores	760	773	832	(13)	(59)
Selling Square Ft.	3,666,000	3,735,000	3,980,000	(69,000)	(245,000)
<b>THE LIMITED</b>					
Stores	570	629	663	(59)	(34)
Selling Square Ft.	3,398,000	3,790,000	3,977,000	(392,000)	(187,000)
<b>HENRI BENDEL</b>					
Stores	1	6	6	(5)	--
Selling Square Ft.	35,000	113,000	113,000	(78,000)	--
<b>STRUCTURE</b>					
Stores	545	544	542	1	2
Selling Square Ft.	2,161,000	2,143,000	2,117,000	18,000	26,000
<b>LIMITED TOO</b>					
Stores	317	312	308	5	4
Selling Square Ft.	1,002,000	979,000	967,000	23,000	12,000
<b>GALYAN'S TRADING CO.</b>					
Stores	15	11	9	4	2
Selling Square Ft.	1,026,000	641,000	488,000	385,000	153,000

VICTORIA'S SECRET STORES

Stores	874	789	736	85	53
Selling Square Ft.	3,795,000	3,555,000	3,326,000	240,000	229,000

BATH & BODY WORKS

Stores	1,101	921	750	180	171
Selling Square Ft.	2,183,000	1,773,000	1,354,000	410,000	419,000

CACIQUE

Stores	--	--	119	--	(119)
Selling Square Ft.	--	--	365,000	--	(365,000)

PENHALIGON'S

Stores	--	--	4	--	(4)
Selling Square Ft.	--	--	2,000	--	(2,000)

ABERCROMBIE & FITCH

Stores	186	156	127	30	29
Selling Square Ft.	1,453,000	1,234,000	1,006,000	219,000	228,000

ABERCROMBIE (KIDS)

Stores	13	--	--	13	--
Selling Square Ft.	42,000	--	--	42,000	--

TOTAL RETAIL BUSINESSES

Stores	5,762	5,640	5,633	122	7
Selling Square Ft.	28,283,000	28,400,000	28,405,000	(117,000)	(5,000)

## Capital Expenditures

Capital expenditures amounted to \$404.6 million, \$409.3 million and \$374.4 million for 1997, 1996 and 1995, of which \$194.4 million, \$235.7 million and \$274.5 million were for new stores and remodeling and expanding existing stores. In 1997 and 1996 the Company expended \$55.3 million and \$53.1 million on land acquisition and development costs. Also, in 1997 and 1996 the Company expended \$30.2 million and \$42.1 million in connection with the Bath & Body Works distribution center.

The Company anticipates spending \$480 to \$500 million for capital expenditures in 1998, of which \$270 to \$295 million will be for new stores, the remodeling of existing stores and related improvements for the retail businesses, \$50 to \$60 million will be for information technology related to Year 2000 expenditures and \$30 to \$40 million will be for land acquisition and development costs, principally the Easton development project in Columbus, Ohio. The Company expects that substantially all 1998 capital expenditures will be funded by net cash provided by operating activities.

The Company intends to reduce selling square footage by approximately 117,000 selling square feet in 1998, which represents a .4% decrease from year-end 1997. It is anticipated that the decrease will result from the closing of 250 stores offset by the addition of approximately 370 stores (over half of which are Bath & Body Works stores averaging 2,300 square feet) and the remodeling of approximately 125 stores.

## Information Systems and "Year 2000" Compliance

The Company recently completed a comprehensive review of its information systems and is involved in an enterprise-wide program to update computer systems and applications in preparation for the year 2000. The Company will incur internal staff costs as well as outside consulting and other expenditures related to this initiative. Total expenditures related to remediation, testing, conversion, replacement and upgrading system applications are expected to range from \$85 to \$100 million from 1997 through 2000. Of the total, approximately \$50 to \$60 million will be capital expenditures related to acquisition and implementation of new package systems. The balance, approximately \$35 to \$40 million, will be expenses associated with remediation and testing of existing systems. Total incremental expenses, including depreciation and amortization of new package systems, remediation to bring current systems into compliance and writing off legacy systems, are not expected to have a material impact on the Company's financial condition during any year during the conversion process from 1997 through 2000. However, incremental expenses could total approximately \$30 to \$35 million in 1998, of which the majority will impact the first three fiscal quarters of 1998, at a rate of \$9 to \$10 million per quarter.

The Company is attempting to contact vendors and others on whom it relies to assure that their systems will be converted in a timely fashion. However, there can be no assurance that the systems of other companies on which the Company's systems rely will also be converted in a timely fashion, or that any such failure to convert by another company would not have an adverse effect on the Company's systems. Furthermore, no assurance can be given that any or all of the Company's systems are or will be Year 2000 compliant, or that the ultimate costs required to address the Year 2000 issue or the impact of any failure to achieve substantial Year 2000 compliance will not have a material adverse effect on the Company's financial condition.

## Impact of Inflation

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

## Adoption of New Accounting Standards

During the fourth quarter of 1997, the Company adopted SFAS No. 128, "Earnings Per Share," which requires the Company to disclose basic and diluted earnings per share for all periods presented.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." While the standard has no impact in determining earnings and earnings per share, the Company will adopt the disclosure standards in 1998.

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

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report, the Company's Form 10-K or made by management of the Company involve risks and uncertainties, and are subject to change based on various important factors. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 1998 and beyond to differ materially from those expressed or implied in any such forward-looking statements: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, postal rate increases and charges, paper and printing costs, availability of suitable store locations at appropriate terms, ability to develop new merchandise and ability to hire and train associates.



Consolidated Statements of Income

(Thousands except per share amounts)

	1997	1996	1995
Net Sales	\$9,188,804	\$8,644,791	\$7,881,437
Costs of Goods Sold, Occupancy and Buying Costs	(6,370,827)	(6,148,212)	(5,793,905)
Gross Income	2,817,977	2,496,579	2,087,532
General, Administrative and Store Operating Expenses	(2,124,663)	(1,848,512)	(1,475,497)
Special and Nonrecurring Items, Net	(213,215)	(12,000)	1,314
Operating Income	480,099	636,067	613,349
Interest Expense	(68,728)	(75,363)	(77,537)
Other Income, Net	36,886	41,972	21,606
Minority Interest	(56,473)	(45,646)	(22,374)
Gain in Connection with Initial Public Offerings	8,606	118,178	649,467
Income Before Income Taxes	400,390	675,208	1,184,511
Provision for Income Taxes	183,000	241,000	223,000
Net Income	\$217,390	\$434,208	\$961,511
Net Income Per Share:			
Basic	\$ .80	\$ 1.55	\$ 2.69
Diluted	\$ .79	\$ 1.54	\$ 2.68

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

Consolidated Statements of Shareholders' Equity

(Thousands)

s	COMMON STOCK			Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
	Shares Outstanding	Par Value	Paid-In Capital			
Balance, January 28, 1995	357,604	\$189,727	\$132,938	\$2,716,516	\$(278,225)	\$2,760,956
Net Income	--	--	--	961,511	--	961,511
Cash Dividends	--	--	--	(143,091)	--	(143,091)
Purchase of Treasury Stock	(3,361)	--	--	--	(55,239)	(55,239)
Common Shares Subject to Contingent Stock Redemption Agreement	--	(9,375)	(7,639)	(334,586)	--	(351,600)
Stock Issued for Acquisition	730	--	7,769	--	8,231	16,000
Exercise of Stock Options and Other	393	--	4,066	--	8,438	12,504
Balance, February 3, 1996	355,366	\$180,352	\$137,134	\$3,200,350	\$(316,795)	\$3,201,041
Net Income	--	--	--	434,208	--	434,208
Cash Dividends	--	--	--	(108,302)	--	(108,302)
Purchase of Treasury Stock	(85,000)	--	--	--	(1,615,000)	(1,615,000)
Exercise of Stock Options and Other	705	--	5,726	--	4,909	10,635
Balance, February 1, 1997	271,071	\$180,352	\$142,860	\$3,526,256	\$(1,926,886)	\$1,922,582
Net Income	--	--	--	217,390	--	217,390
Cash Dividends	--	--	--	(130,472)	--	(130,472)
Exercise of Stock Options and Other	1,729	--	5,158	--	30,299	35,457
Balance, January 31, 1998	272,800	\$180,352	\$148,018	\$3,613,174	\$(1,896,587)	\$2,044,957

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

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Consolidated Balance Sheets

(Thousands)

January 31, 1998      February 1, 1997

ASSETS

Current Assets:

Cash and Equivalents	\$746,395	\$312,796
Accounts Receivable	83,370	69,337
Inventories	1,002,710	1,007,303
Store Supplies	99,167	90,400
Other	99,509	65,261
<b>Total Current Assets</b>	<b>2,031,151</b>	<b>1,545,097</b>
Property and Equipment, Net	1,519,908	1,828,869
Restricted Cash	351,600	351,600
Deferred Income Taxes	56,586	--
Other Assets	341,516	394,436
<b>Total Assets</b>	<b>\$4,300,761</b>	<b>\$4,120,002</b>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts Payable	\$300,703	\$307,841
Accrued Expenses	676,715	481,744
Income Taxes	115,994	117,308
<b>Total Current Liabilities</b>	<b>1,093,412</b>	<b>906,893</b>
Long-Term Debt	650,000	650,000
Deferred Income Taxes	--	169,932
Other Long-Term Liabilities	58,720	51,659
Minority Interest	102,072	67,336
Contingent Stock Redemption Agreement	351,600	351,600

Shareholders' Equity:

Common Stock	180,352	180,352
Paid-In Capital	148,018	142,860
Retained Earnings	3,613,174	3,526,256
	3,941,544	3,849,468
Less: Treasury Stock, at Cost	(1,896,587)	(1,926,886)
<b>Total Shareholders' Equity</b>	<b>2,044,957</b>	<b>1,922,582</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$4,300,761</b>	<b>\$4,120,002</b>

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

Consolidated Statements of Cash Flows

(Thousands)

	1997	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income	\$217,390	\$434,208	\$961,511
<b>IMPACT OF OTHER OPERATING ACTIVITIES ON CASH FLOWS</b>			
Depreciation and Amortization	313,292	289,643	285,889

Special and Nonrecurring Items, Net	128,215	7,200	(1,314)
Minority Interest, Net of Dividends Paid	34,736	21,637	17,250
Gain in Connection with Initial Public Offerings, Net	(5,606)	(118,178)	(649,467)
<b>CHANGE IN ASSETS AND LIABILITIES</b>			
Accounts Receivable	(14,033)	8,179	(104,121)
Inventories	(5,407)	(48,350)	(70,813)
Accounts Payable and Accrued Expenses	81,833	116,599	50,883
Income Taxes	(145,832)	(5,915)	(132,560)
Other Assets and Liabilities	(14,607)	7,046	(16,526)
Net Cash Provided by Operating Activities	589,981	712,069	340,732
<b>INVESTING ACTIVITIES</b>			
Capital Expenditures	(404,602)	(409,260)	(374,374)
Proceeds from Sale of Property and Related Interests	234,976	--	--
Net Proceeds from Partial Sale of Interest in Investee	108,259	--	--
Businesses Acquired	--	(41,255)	(2,000)
Increase in Restricted Cash	--	--	(351,600)
Proceeds from Credit Card Securitization	--	--	1,212,630
Net Cash Provided by (Used for) Investing Activities	(61,367)	(450,515)	484,656
<b>FINANCING ACTIVITIES</b>			
Net Repayments of Commercial Paper Borrowings and Certificates of Deposit	--	--	(25,200)
Proceeds from Short-Term Borrowings	--	150,000	250,000
Repayment of Short-Term Borrowings	--	(150,000)	(250,000)
Net Proceeds from Issuance and Sale of Subsidiary Stock	--	118,178	788,589
Dividends Paid	(130,472)	(108,302)	(143,091)
Purchase of Treasury Stock	--	(1,615,000)	(55,239)
Stock Options and Other	35,457	10,635	12,504
Net Cash Provided by (Used for) Financing Activities	(95,015)	(1,594,489)	577,563
Net Increase (Decrease) in Cash and Equivalents	433,599	(1,332,935)	1,402,951
Cash and Equivalents, Beginning of Year	312,796	1,645,731	242,780
Cash and Equivalents, End of Year	\$746,395	\$312,796	\$1,645,731

Noncash investing activities included \$2.2 million in 1997 and \$16 million in 1995 for stock issued in connection with the acquisition of Galyan's.

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



## Notes to Consolidated Financial Statements

## 1. Summary of Significant Accounting Policies

## Principles of Consolidation

The consolidated financial statements include the accounts of The Limited, Inc. (the "Company") and all significant subsidiaries that are more than 50% owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in other entities (including joint ventures) where the Company has the ability to significantly influence operating and financial policies are accounted for on the equity method.

## Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal years 1997 and 1996 represent the fifty-two-week periods ended January 31, 1998, and February 1, 1997. The results for fiscal year 1995 represent the fifty-three-week period ended February 3, 1996.

## Cash and Equivalents

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

## Inventories

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

## Store Supplies

The initial inventory of supplies for new stores including, but not limited to, hangers, signage, security tags and point-of-sale supplies, are capitalized at the store opening date. Subsequent shipments are expensed, except for new merchandise presentation programs, which are capitalized.

## Property and Equipment

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10-30 years for buildings and improvements and 3-10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

## Goodwill Amortization

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line basis, principally over 30 years.

## Catalogue Costs and Advertising

Catalogue costs, primarily consisting of catalogue production and mailing costs, are amortized over the expected future revenue stream, which is principally from three to six months from the date catalogues are mailed. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalogue and advertising costs amounted to \$275 million, \$242 million and \$237 million in 1997, 1996 and 1995.

## Interest Rate Swap Agreements

The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement. Gains and losses from the disposition of swap agreements are deferred and amortized over the term of the related agreements.

## Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires the use of the liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

## Shareholders' Equity

Five hundred million shares of \$.50 par value common stock are authorized, of

which 272.8 million shares and 271.1 million shares were outstanding, net of 106.7 million shares and 108.4 million shares held in treasury at January 31, 1998, and February 1, 1997. Ten million shares of \$1.00 par value preferred stock are authorized, none of which have been issued.

On March 17, 1996, the Company completed the repurchase of 85 million shares of its common stock under a self-tender offer at \$19.00 per share. Approximately \$1.615 billion was paid in exchange for the outstanding shares which was funded with funds made available from a series of transactions that included: 1) the initial public offering of a 16.9% interest in Intimate Brands, Inc. ("IBI"); 2) the securitization of World Financial Network National Bank ("WFN") credit card receivables; and 3) the sale of a 60% interest in WFN.

#### Revenue Recognition

Sales are recorded upon purchase by customers. A reserve is provided equal to the gross profit on projected catalogue merchandise returns, based on prior experience.

#### Earnings Per Share

Net income per share is computed in accordance with SFAS No. 128, "Earnings Per Share," which the Company adopted in the fourth quarter of 1997. 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.

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(Thousands)	1997	1996	1995
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Common Shares Issued	379,454	379,454	379,454
Treasury Shares	(107,556)	(98,755)	(21,862)
Basic Shares	271,898	280,699	357,592
Dilutive Effect of Options and Restricted Shares	2,585	1,354	779
Diluted Shares	274,483	282,053	358,371

Options to purchase .7 million, 5.9 million and 7.9 million shares of common stock were outstanding at year-end 1997, 1996 and 1995, but were not included in the computation of earnings per diluted share because the options' exercise price was greater than the average market price of the common shares. Exercise of the 18.75 million shares subject to the Contingent Stock Redemption Agreement (see Notes 6 and 10) was determined not to dilute earnings per share.

Subsequent to January 31, 1998, the Company announced an exchange offer for Abercrombie & Fitch Co. ("A&F") shares that, if consummated, would result in a substantial decrease in total common shares outstanding (see Note 14).

Gains in Connection With Initial Public Offerings

Gains in connection with initial public offerings are recognized in the current year's income. During the first quarter of 1997, the Company recognized a pretax gain of \$8.6 million in connection with the initial public offering ("IPO") of Brylane, Inc. ("Brylane"), a 26% owned (post-IPO) catalogue retailer. In 1996, the Company recognized a \$118.2 million gain in connection with the IPO of a 15.8% interest (8.05 million shares) of A&F. In 1995, the Company recognized a \$649.5 million gain in connection with the IPO of a 16.9% interest (42.7 million shares) of IBI. IBI consists of the Victoria's Secret Stores, Victoria's Secret Catalogue, Bath & Body Works and Gryphon businesses. The IPO gains recorded by the Company in 1996 and 1995 were not subject to income tax.

Minority interest of \$102.1 million at January 31, 1998, represents a 16.9% interest in the net equity of IBI and a 15.8% interest in the net equity of A&F.

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

Reclassifications

Certain amounts on previously reported financial statement captions have been reclassified to conform with current year presentation.

2. Special and Nonrecurring Items

As a result of an ongoing review of the Company's retail businesses and investments as well as implementation of initiatives intended to promote and strengthen the Company's various retail brands (including closing businesses, identification and disposal of non-core assets and identification of store locations not consistent with a particular brand), the Company recognized special and nonrecurring charges of \$276 million during the fourth quarter of 1997 comprised of: 1) a \$68 million charge for the closing of the 118 store Cacique lingerie business effective January 31, 1998. The amount includes noncash charges of \$30 million comprised principally of write-offs and liquidations of store assets and accruals of \$38 million related to cancellations of merchandise on order and other exit costs such as severance, service contract termination fees and lease termination costs. Other than contractual obligations of \$5 million, the accrued costs are expected to be paid in fiscal year 1998; 2) an \$82 million charge related to streamlining the Henri Bendel business from six stores to one store by September 1, 1998. The amount includes \$26 million of noncash charges related primarily to write-offs of store assets, and accruals of \$56 million related primarily to contract cancellations and lease termination costs. Other than contractual obligations of \$18 million, the accrued costs are expected to be paid in 1998. Termination costs related to Henri Bendel closings will be recognized in first quarter 1998 when the associates are notified; 3) \$86 million of impaired asset charges, related principally to the women's businesses, covering certain store locations where the carrying values are permanently impaired; and 4) a \$28 million provision for closing and downsizing approximately 80 oversized stores, primarily within the Limited, Lerner New York, Lane Bryant and Express women's businesses and a \$12 million write-down to net realizable value of a real estate investment previously acquired in connection with closing and downsizing certain stores. The \$28 million charge includes \$13 million of noncash charges related to write-offs of store assets and accruals of \$15 million related to lease termination costs. Other than contractual obligations of \$7 million, the accrued costs are expected to be paid within 18 months. Additionally, the Company recognized a \$13 million cost of sales charge in the fourth quarter for

inventory liquidation at Henri Bendel. The after-tax cash impact of these charges is estimated to be approximately \$30 million. The Company will recognize charges for severance and other associate termination costs for Henri Bendel in the first quarter of 1998 (at the time the associates are notified).

Additionally, the Company recognized a \$75.3 million pretax gain during the third quarter of 1997 in connection with the sale of 2.4 million shares of Brylane, which is carried on the equity method, for \$46 per share generating cash proceeds of \$108 million. This sale represented approximately one-half of its investment in Brylane. This gain was partially offset by valuation adjustments of \$12.5 million on certain assets where the carrying values were permanently impaired. On February 20, 1998, the Company entered into an agreement with Pinault Printemps-Radoute to sell its remaining 2.6 million shares of Brylane for \$51 per share, or cash proceeds of \$131 million. The transaction is expected to close in April 1998.

The \$86 million impaired asset charge was in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." As a result of

the Company's strategic review process, including the implementation of brand initiatives within individual businesses, updated analyses were prepared to determine if there was impairment of any long-lived assets. The revised carrying values of these assets were calculated on the basis of discounted cash flows. The impaired asset charge had no impact on the Company's 1997 or future cash flows. As a result of this charge, depreciation and amortization expense related to these assets will decrease in future periods.

In 1996, the Company recorded a \$12 million pretax, special and nonrecurring charge in connection with the April 1997 sale of Penhaligon's, a U.K.-based subsidiary of IBI.

In the fourth quarter of 1995, the Company recognized a \$73.2 million pretax gain from the sale of a 60% interest in the Company's wholly-owned credit card bank, WFN. Along with the sale of the 60% interest in WFN, the Company recognized a special and nonrecurring charge during the fourth quarter of 1995 of approximately \$71.9 million. Of this amount, \$25.8 million was provided for the closing of 26 stores and \$19.8 million was provided for the downsizing of 33 stores, primarily at Limited and Lerner New York. The remaining charge of approximately \$26.3 million represented the write-down to market or net realizable value of certain assets arising from nonoperating activities. The net pretax gain from these special and nonrecurring items was \$1.3 million.

### 3. Accounts Receivable

As discussed in Note 2, the sale of a 60% interest in WFN was completed in the fourth quarter of 1995, and WFN's outstanding debt to the Company of approximately \$1.2 billion was repaid. Finance charge revenue on the deferred payment accounts amounted to \$235.6 million in 1995 and the provision for uncollectible accounts amounted to \$91.4 million in 1995. These amounts are classified as components of the cost to administer the deferred payment program and are included in the Company's general, administrative and store operating expenses for that year.

### 4. Property and Equipment

(Thousands)	1997	1996
PROPERTY AND EQUIPMENT, AT COST		
Land, Buildings and Improvements	\$394,885	\$530,259
Furniture, Fixtures and Equipment	1,951,172	1,929,951
Leaseholds and Improvements	539,047	641,200
Construction in Progress	219,508	188,834
Total	3,104,612	3,290,244
Less: Accumulated Depreciation and Amortization	1,584,704	1,461,375
Property and Equipment, Net	\$1,519,908	\$1,828,869

### 5. Leased Facilities and Commitments

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses.

(Thousands)	1997	1996	1995
RENT EXPENSE			
Fixed Minimum	\$721,283	\$689,319	\$643,200
Contingent	26,630	23,117	18,812
Total Store Rent	747,913	712,436	662,012
Equipment and Other	23,492	25,163	26,101
Total Rent Expense	\$771,405	\$737,599	\$688,113

At January 31, 1998, the Company was committed to noncancelable leases with remaining terms generally from one to twenty years. A substantial portion of these commitments are store leases with initial terms ranging from ten to twenty years, with options to renew at varying terms.

(Thousands)	
MINIMUM RENT COMMITMENTS UNDER NONCANCELABLE LEASES	
1998	\$731,233
1999	712,804
2000	688,317

2001	645,229
2002	595,377
Thereafter	\$2,062,453

#### 6. Restricted Cash

At January 31, 1998, Special Funding, Inc., a wholly-owned subsidiary of the Company, had \$351.6 million of restricted cash invested in short-term, highly liquid securities. This amount is classified as a noncurrent asset, since it has been reserved for use in the event that the Wexner Children's Trust, established by Leslie H. Wexner, the Company's principal shareholder, exercises its opportunity to require the Company to redeem, or the Company exercises its opportunity to redeem from the Trust, shares of The Limited, Inc. common stock in accordance with the terms of the Contingent Stock Redemption Agreement (see Note 10). Interest earnings of \$18.6 million and \$17.9 million in 1997 and 1996 on the segregated cash accrued to the Company.

#### 7. Accrued Expenses

(Thousands)	1997	1996
ACCRUED EXPENSES		
Compensation, Payroll Taxes and Benefits	\$135,701	\$100,526
Rent	152,850	123,421
Taxes, Other than Income	42,321	47,297
Interest	21,129	21,510
Store Closings	86,803	3,509
Other	237,911	185,481
Total	\$676,715	\$481,744

## 8. Long-Term Debt

(Thousands)	1997	1996
UNSECURED LONG-TERM DEBT		
8 7/8% Notes due August 1999	\$100,000	\$100,000
9 1/8% Notes due February 2001	150,000	150,000
7 4/5% Notes due May 2002	150,000	150,000
7 1/2% Debentures due March 2023	250,000	250,000
Total	\$650,000	\$650,000

The Company maintains a \$1 billion unsecured credit agreement (the "Agreement"), established on September 29, 1997 (the "Effective Date"). Borrowings outstanding under the Agreement are due September 28, 2002. However, the revolving term of the Agreement may be extended an additional two years upon notification by the Company on the second and fourth anniversaries of the Effective Date, subject to the approval of the lending banks. The Agreement has several borrowing options, including interest rates that are based on either the lender's "Base Rate," as defined, LIBOR, CD-based options or at a rate submitted under a bidding process. Facilities fees payable under the Agreement are based on the Company's long-term credit ratings, and currently approximate .1% of the committed amount per annum. The Agreement contains covenants relating to the Company's working capital, debt and net worth. No amounts were outstanding under the Agreement at January 31, 1998.

The Agreement supports the Company's commercial paper program, which is used from time to time to fund working capital and other general corporate requirements. No commercial paper was outstanding at January 31, 1998.

Up to \$250 million of debt securities and warrants to purchase debt securities may be issued under the Company's shelf registration statement. The Company periodically enters into interest rate swap agreements with the intent to manage interest rate exposure. At January 31, 1998, the Company had an interest rate swap position of \$100 million notional principal amount outstanding. This contract effectively changed the Company's interest rate exposure on \$100 million of variable rate debt to a fixed rate of 8.09% through July 2000.

Long-term debt maturities within the next five years consist of \$100 million which matures August 15, 1999, \$150 million which matures February 1, 2001, and \$150 million which matures May 15, 2002. Interest paid approximated \$69.1 million, \$65.5 million and \$88.4 million in 1997, 1996 and 1995.

## 9. Income Taxes

(Thousands)	1997	1996	1995
PROVISION FOR INCOME TAXES			
Currently Payable:			
Federal	\$304,300	\$210,400	\$190,900
State	33,800	34,000	24,700
Foreign	3,700	2,400	4,500
Total	341,800	246,800	220,100
Deferred:			
Federal	(156,600)	(13,800)	(9,400)
State	(2,200)	8,000	12,300
Total	(158,800)	(5,800)	2,900
Total Provision	\$183,000	\$241,000	\$223,000

The foreign component of pretax income, arising principally from overseas sourcing operations, was \$62.3 million, \$45.9 million and \$60.8 million in 1997, 1996 and 1995.

	1997	1996	1995
STATUTORY FEDERAL INCOME TAX RATE RECONCILIATION			
Federal Income Tax Rate	35.0%	35.0%	35.0%
State Income Tax, Net of Federal Income Tax Effect	4.5%	4.5%	4.5%

Other Items, Net	.6%	.5%	.7%
Total	40.1%	40.0%	40.2%

The reconciliation between the statutory Federal income tax rate and the effective income tax rate on pretax earnings excludes the nontaxable gains from sales of subsidiary stock in 1996 and 1995 and minority interest.

(Thousands)

	1997			1996		
	Assets	Liabilities	Total	Assets	Liabilities	Total
DEFERRED INCOME TAXES						
Excess of Tax Over Book Depreciation	-	\$(1,400)	\$(1,400)	-	\$(20,000)	\$(20,000)
Undistributed Earnings of Foreign Affiliates	-	(102,400)	(102,400)	-	(116,600)	(116,600)
Special and Nonrecurring Items	\$99,200	-	99,200	\$24,100	-	24,100
Rent	62,100	-	62,100	-	(17,500)	(17,500)
Inventory	43,700	-	43,700	40,000	-	40,000
Investments in Affiliates	-	(24,900)	(24,900)	-	(54,000)	(54,000)
State Income Taxes	24,900	-	24,900	9,600	-	9,600
Other	18,500	-	18,500	-	(35,300)	(35,300)
Total Deferred Income Taxes	\$248,400	\$(128,700)	\$119,700	\$73,700	\$(243,400)	\$(169,700)



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Income taxes payable included net current deferred tax assets of \$63.1 million and \$.3 million at January 31, 1998 and February 1, 1997.

Income tax payments approximated \$410.8 million, \$233.8 million and \$306.1 million for 1997, 1996 and 1995.

The Internal Revenue Service has assessed the Company for additional taxes and interest for the years 1992 to 1994 relating to the treatment of transactions involving the Company's foreign operations for which the Company has provided deferred taxes on the undistributed earnings of foreign affiliates. The Company strongly disagrees with the assessment and is vigorously contesting the matter. Management believes resolution of this matter will not have a material adverse effect on the Company's results of operations or financial condition.

10. Contingent Stock Redemption Agreement

In connection with the reconfiguration of its business, the Company purchased from shareholders, via a self-tender offer, 85 million shares of The Limited, Inc. common stock for approximately \$1.615 billion on March 17, 1996. Leslie H. Wexner, Chairman and CEO of the Company, as well as the Company's founder and principal shareholder, did not participate in the self-tender. However, the Company entered into an agreement, as amended in 1996, which provides the Wexner Children's Trust the opportunity, commencing on February 1, 1998, and for a period of eight years thereafter (the exercise period), to require the Company to redeem up to 18.75 million shares for a price per share equal to \$18.75 (a price equal to the price per share paid in the self-tender less \$.25 per share). Under certain circumstances, lenders to the Trust, if any, may exercise this opportunity, beginning February 1, 1997. The Company received the opportunity to redeem an equivalent number of shares from the Trust at \$25.07 per share for a period beginning on July 31, 2006, and for six months thereafter. As a result of these events, the Company has transferred \$351.6 million to temporary equity identified as Contingent Stock Redemption Agreement in the Consolidated Balance Sheets. In addition, approximately \$351.6 million has been designated as restricted cash to consummate either of the above rights (see Note 6). The terms of this agreement were approved by the Company's Board of Directors.

11. Stock Options and Restricted Stock

Under the Company's stock plans, associates may be granted up to a total of 17.3 million restricted shares and options to purchase the Company's common stock at the market price on the date of grant. In 1997, the Company granted approximately 5.6 million options with a graduated vesting schedule over six years. The remaining options generally vest 25% per year over the first four years of the grant. Virtually all options have a maximum term of ten years.

Under separate stock plans, up to 17.5 million IBI shares and 3.5 million A&F shares are available to grant restricted shares and options to IBI and A&F associates. As of January 31, 1998, options to purchase 4.3 million IBI shares and 1.9 million A&F shares were outstanding, of which 418,000 IBI options and 35,000 A&F options were exercisable. Under these plans, options generally vest over periods from four to six years.

The Company adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," effective with the 1996 financial statements, but elected to continue to measure compensation expense in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense for stock options has been recognized. If compensation expense had been determined based on the estimated fair value of options granted since 1995, consistent with the methodology in SFAS No. 123, the pro forma effects on net income and earnings per diluted share, including the impact of options issued by IBI and A&F, would have been a reduction of approximately \$11.4 million or \$.04 per share in 1997 and \$4.0 million or \$.01 per share in 1996. The weighted-average per share fair value of options granted (\$5.79, \$4.72 and \$5.48 during 1997, 1996 and 1995) was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions for 1997, 1996 and 1995: dividend yields of 2.8%; volatility of 27%, 31% and 31%; risk-free interest rates of 6%, 5.25% and 7%; assumed forfeiture rates of 15%, 20% and 20%; and expected lives of 6.5 years, 5 years and 5 years. The pro forma effect on net income for 1997 and 1996 is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

Approximately 2,120,000, 468,000 and 569,000 restricted Limited shares were granted in 1997, 1996 and 1995, with market values at date of grant of \$43.9 million, \$8.3 million and \$10.0 million. Included in the 1997 grants were 1.7 million restricted shares, of which 685,000 had performance requirements, with a graduated vesting schedule over six years. The remaining restricted shares generally vest either on a graduated scale over four years or 100% at the end of a fixed vesting period, principally five years. Additionally, IBI granted 1,442,000, 169,000 and 357,000 restricted shares in 1997, 1996 and 1995 and A&F granted 540,000 and 50,000 restricted shares in 1997 and 1996. Vesting terms for the IBI and A&F restricted shares are similar to those of The Limited. The market value of restricted shares, subject to adjustment at measurement date for the performance awards, is being amortized as compensation expense over the vesting period, generally four to six years. Compensation expense related to restricted stock awards, including expense related to awards granted at IBI and A&F, amounted to \$29.0 million in 1997 and \$9.1 million in both 1996 and 1995.

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STOCK OPTIONS OUTSTANDING

OPTIONS OUTSTANDING

OPTIONS EXERCISABLE

Weighted

Range of Exercise Prices	Number Outstanding at 1/31/98	Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 1/31/98	Weighted Average Exercisable Price
\$15-\$16	1,350,000	6.1	\$16	618,000	\$16
\$17-\$18	2,827,000	7.3	\$17	1,227,000	\$17
\$19-\$21	5,658,000	7.9	\$20	1,651,000	\$21
\$22-\$27	2,646,000	7.9	\$23	773,000	\$24
\$9-\$31	1,589,000	7.5	\$20	638,000	\$20
\$9-\$31	14,070,000	7.5	\$20	4,907,000	\$20

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	Number of Shares	Weighted Average Option Price Per Share
<b>STOCK OPTION ACTIVITY</b>		
<b>1995</b>		
Outstanding at Beginning of Year	8,414,000	\$19.56
Granted	2,196,000	17.81
Exercised	(280,000)	12.43
Canceled	(1,188,000)	19.90
Outstanding at End of Year	9,142,000	\$19.32
Options Exercisable at Year-End	4,800,000	\$19.62
<b>1996</b>		
Outstanding at Beginning of Year	9,142,000	\$19.32
Granted	1,899,000	17.30
Exercised	(531,000)	14.89
Canceled	(1,311,000)	19.45
Outstanding at End of Year	9,199,000	\$19.14
Options Exercisable at Year-End	5,249,000	\$20.24
<b>1997</b>		
Outstanding at Beginning of Year	9,199,000	\$19.14
Granted	7,331,000	20.02
Exercised	(1,377,000)	17.70
Canceled	(1,083,000)	19.64
Outstanding at End of Year	14,070,000	\$19.70
Options Exercisable at Year-End	4,907,000	\$19.89

12. Retirement Benefits

The Company sponsors a qualified defined contribution retirement plan and a nonqualified supplemental retirement plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service and compensation requirements. Company contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was \$36.4 million in 1997, \$36.2 million in 1996 and \$33.3 million in 1995.

13. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Current Assets, Current Liabilities and Restricted Cash

The carrying value of cash equivalents, restricted cash, accounts payable and accrued expenses approximates fair value because of their short maturity.

Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Interest Rate Swap Agreement

The fair value of the interest rate swap is the estimated amount that the Company would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty.

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>ESTIMATED FAIR VALUES OF FINANCIAL INSTRUMENTS</b>				
Long-Term Debt	\$(650,000)	\$(667,391)	\$(650,000)	\$(638,798)

Interest Rate Swaps	\$(328)	\$(5,345)	\$(351)	\$(5,267)
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14. Subsequent Event--Registration Statement for A&F Exchange Offer

On February 17, 1998, a registration statement was filed with the Securities and Exchange Commission in connection with a plan to establish A&F as a fully independent company via a tax-free exchange offer pursuant to which The Limited shareholders will be given an opportunity to tender some or all of their shares of The Limited in return for shares of A&F. The transaction is subject to certain customary conditions.

15. Quarterly Financial Data (Unaudited)

(Thousands except per share amounts):

	First	Second	Third	Fourth
1997 QUARTERLY FINANCIAL DATA (UNAUDITED)				
Net Sales	\$1,829,780	\$2,020,084	\$2,070,559	\$3,268,381
Gross Income	501,471	538,907	620,982	1,156,617
Net Income	24,873	27,574	79,682	85,261
Net Income Per Basic Share	.09	.10	.29	.31
Net Income Per Diluted Share	A.09	.10	A.29	A.31
1996 QUARTERLY FINANCIAL DATA (UNAUDITED)				
Net Sales	\$1,787,943	\$1,895,601	\$1,994,986	\$2,966,261
Gross Income	469,541	491,909	555,374	979,755
Net Income	28,152	33,150	159,513	213,393
Net Income Per Basic Share	.09	.12	.59	.79
Net Income Per Diluted Share	.09	.12	A.59	A.78

A Gains in connection with initial public offerings included an \$8.6 million (\$.02 per diluted share) pretax gain in the first quarter of 1997 in connection with the Company's ownership portion of Brylane a 26% owned (post-IPO) catalogue retailer and a \$118.2 million (\$.44 per diluted share) gain in the third quarter of 1996 in connection with the IPO of a 15.8% interest of A&F (see Note 1). Special charges included \$276 million (\$.57 per diluted share) in special and nonrecurring items and an additional \$13 million (\$.03 per diluted share) in inventory liquidation charges during the fourth quarter of 1997, a net \$62.8 million (\$.14 per diluted share) pretax gain during the third quarter of 1997 relating to the sale of approximately one-half of the Company's investment in Brylane, and \$12 million (\$.02 per diluted share) in special and nonrecurring charges during the fourth quarter of 1996 in connection with the sale of the Penhaligon's business (see Note 2).

Market Price and Dividend Information

	Market Price		Cash Dividend
	High	Low	Per Share
-----			
FISCAL YEAR END 1997			
-----			
4th Quarter	\$27 1/4	\$23 9/16	\$.12
3rd Quarter	25 1/2	21 3/8	.12
2nd Quarter	22 5/16	18 5/8	.12
1st Quarter	\$20 1/8	\$17	\$.12
-----			
FISCAL YEAR END 1996			
-----			
4th Quarter	\$20 1/8	\$16 5/8	\$.10
3rd Quarter	20 1/4	17 3/4	.10
2nd Quarter	22	18 1/4	.10
1st Quarter	\$20 3/4	\$16 5/8	\$.10
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The Company's common stock is traded on the New York Stock Exchange ("LTD") and the London Stock Exchange. On January 31, 1998, there were 81,534 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company-sponsored retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately 241,000.

## SUBSIDIARIES OF THE REGISTRANT

Subsidiaries (a)	Jurisdiction of Incorporation
Express, Inc. (b)	Delaware
Lerner New York, Inc. (c)	Delaware
Lane Bryant, Inc. (d)	Delaware
The Limited Stores, Inc. (e)	Delaware
Henri Bendel, Inc. (f)	Delaware
Structure, Inc. (g)	Delaware
Limited Too, Inc. (h)	Delaware
Galyan's Trading Company, Inc. (i)	Indiana
Mast Industries, Inc. (j)	Delaware
Mast Industries (Far East) Limited (k)	Hong Kong
Limited Distribution Services, Inc. (l)	Delaware
Limited Service Corporation (m)	Delaware
Womanco Service Corporation (n)	Delaware
Victoria's Secret Stores, Inc. (o)	Delaware
Victoria's Secret Catalogue, Inc. (p)	Delaware
Bath & Body Works, Inc. (q)	Delaware
Cacique, Inc. (r)	Delaware
Gryphon Development, Inc. (s)	Delaware
Intimate Brands Service Corporation (t)	Delaware
Intimate Brands, Inc. (u)	Delaware
Abercrombie & Fitch Stores, Inc. (v)	Delaware
Abercrombie & Fitch Co. Service Corporation (w)	Delaware
Abercrombie & Fitch Co. (x)	Delaware

- (a) The names of certain subsidiaries are omitted since such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of January 31, 1998.
- (b) Express, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (c) Lerner New York, Inc. is a wholly-owned subsidiary of Lerner Corporation, a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (d) Lane Bryant, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (e) The Limited Stores, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (f) Henri Bendel, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (g) Structure, Inc. is a wholly-owned subsidiary of the registrant.
- (h) Limited Too, Inc. is a wholly-owned subsidiary of the registrant.
- (i) Galyan's Trading Company, Inc. is a wholly-owned subsidiary of the registrant.

- (j) Mast Industries, Inc. is a wholly-owned subsidiary of Mast Industries (Delaware), Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (k) Mast Industries (Far East) Limited is a wholly-owned subsidiary of Mast Industries (Overseas), Inc., which is a wholly-owned subsidiary of Mast Industries, Inc.
- (l) Limited Distribution Services, Inc. is a wholly-owned subsidiary of LTDSP, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (m) Limited Service Corporation is a majority owned subsidiary of Mast Industries (Overseas), Inc.
- (n) Womanco Service Corporation is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation which is a wholly-owned subsidiary of the registrant.
- (o) Victoria's Secret Stores, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (p) Victoria's Secret Catalogue, Inc. is a wholly-owned subsidiary of Victoria's Secret Catalogue Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (q) Bath & Body Works, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (r) Cacique, Inc. is a wholly-owned subsidiary of Cacique Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (s) Gryphon Development, Inc. is a wholly-owned subsidiary of Gryphon Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (t) Intimate Brands Service Corporation is a wholly-owned subsidiary of the Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (u) Intimate Brands, Inc. is a majority owned subsidiary of the registrant.
- (v) Abercrombie & Fitch Stores, Inc. is a wholly-owned subsidiary of Abercrombie & Fitch Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Abercrombie & Fitch Co., a Delaware corporation and a majority owned subsidiary of the registrant.
- (w) Abercrombie & Fitch Co. Service Corporation is a wholly-owned subsidiary of Abercrombie & Fitch Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Abercrombie & Fitch Co., a Delaware corporation and a majority owned subsidiary of the registrant.
- (x) Abercrombie & Fitch Co. is a majority owned subsidiary of the registrant.

[LETTERHEAD OF COOPERS &amp; LYBRAND APPEARS HERE]

## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of the Limited, Inc. on Form S-8, Registration Nos. 33-18533, 33-25005, 2-92277, 33-24829, 33-24507, 33-24828, 2-95788, 2-88919, 33-24518, 33-6965, 33-14049, 33-22844, 33-44041, 33-49871, 333-04927, 333-04941 and the registration statements on Form S-3, Registration Nos. 33-20788, 33-31540, 33-42832 and 33-53366 and on Form S-4, Registration No. 333-46423 of our report dated February 20, 1998, on our audits of the consolidated financial statements of the Limited, Inc. and Subsidiaries as of January 31, 1998, and February 1, 1997, and for the fiscal years ended January 31, 1998, February 1, 1997, and February 3, 1996, and the financial statement schedule of the Limited, Inc. and Subsidiaries for the fiscal year in the period ended February 3, 1996, which report is included in this Annual Report on Form 10-K.

/s/ COOPERS &amp; LYBRAND L.L.P.

COOPERS &amp; LYBRAND L.L.P.

Columbus, Ohio  
April 28, 1998



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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ LESLIE H. WEXNER  
-----  
Leslie H. Wexner

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ KENNETH B. GILMAN

-----  
Kenneth B. Gilman

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ ABIGAIL S. WEXNER

-----  
Abigail S. Wexner

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ MARTIN TRUST

-----  
Martin Trust

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ EUGENE M. FREEDMAN

-----  
Eugene M. Freedman

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ E. GORDON GEE

-----  
E. Gordon Gee

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ LEONARD A. SCHLESINGER  
-----  
Leonard A. Schlesinger

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ DAVID T. KOLLAT

-----  
David T. Kollat



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

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EXECUTED as of the 30th day of January, 1998.

/s/ CLAUDINE MALONE  
-----  
Claudine Malone

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

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EXECUTED as of the 30th day of January, 1998.

/s/ DONALD B. SHACKELFORD

-----  
Donald B. Shackelford

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

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EXECUTED as of the 30th day of January, 1998.

/s/ ALLAN R. TESSLER  
-----  
Allan R. Tessler

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

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EXECUTED as of the 30th day of January, 1998.

/s/ RAYMOND ZIMMERMAN

-----  
Raymond Zimmerman

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

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its 1997 fiscal year under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, D.C., hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 30th day of January, 1998.

/s/ V. ANN HAILEY

-----  
V. Ann Hailey



THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LIMITED, INC. AND SUBSIDIARIES FOR THE YEAR ENDED JANUARY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	
	JAN-31-1998
	FEB-02-1997
	JAN-31-1998
	746,395
	0
	83,370
	0
	1,002,710
	2,031,151
	3,104,612
	1,584,704
	4,300,761
1,093,412	
	650,000
0	
	0
	180,352
4,300,761	1,864,605
	9,188,804
	9,188,804
	6,370,827
	6,370,827
	2,124,663
	0
	68,728
	400,390
	183,000
217,390	
	0
	0
	0
	217,390
	0.80
	0.79





THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LIMITED, INC. AND SUBSIDIARIES FOR THE YEAR ENDED FEBRUARY 1, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
	FEB-01-1997	
	FEB-04-1996	
	FEB-01-1997	312,796
		0
		69,337
		0
		1,007,303
	1,545,097	3,290,244
		1,461,375
		4,120,002
	906,893	650,000
	0	0
		180,352
4,120,002		1,742,230
		8,644,791
	8,644,791	6,148,212
		6,148,212
	1,848,512	0
		0
	75,363	
		675,208
		241,000
434,208		0
		0
		0
	434,208	
		1.55
		1.54



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LIMITED, INC. AND SUBSIDIARIES FOR THE YEAR ENDED FEBRUARY 3, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
	FEB-03-1996	
	JAN-29-1995	
	FEB-03-1996	
		1,645,731
		0
		77,516
		0
		958,953
	2,800,032	3,018,757
		1,277,301
		5,266,563
	716,575	650,000
	0	0
		180,352
		3,020,689
5,266,563		7,881,437
	7,881,437	5,793,905
		5,793,905
	1,475,497	0
		77,537
		1,184,511
		223,000
	961,511	0
		0
		0
		961,511
		2.69
		2.68

Ary, Earman and Roepcke  
Certified Public Accountants

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

-----

To the Plan Administrator of The Limited,  
Inc. Savings and Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of The Limited, Inc. Savings and Retirement Plan (the "Plan") as of December 31, 1997 and 1996, and the related statements of changes in net assets available for benefits for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 net assets available for benefits of the Plan as of December 31, 1997 and 1996, and the changes in net assets available for benefits for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ Ary, Earman and Roepcke

Columbus, Ohio,  
March 24, 1998.

2929 Kenny Road, Suite 280, Columbus, Ohio 43221  
(614) 459-3868 FAX (614) 459-0219

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1997

ASSETS	TOTAL	Limited Stock Fund	Fixed Income Fund	Index-500 Fund	U.S. Growth Fund	Wellington Fund
Investments, at Fair Value:						
Determined by Quoted Market Price:						
Common Stock:						
The Limited, Inc. (Cost \$30,208,630)	\$ 68,513,782	\$68,513,782	\$ -	\$ -	\$ -	\$ -
Intimate Brands, Inc. (Cost \$2,541,834)	3,027,342	-	-	-	-	-
Shares of Registered Investment Company:						
Vanguard Investment Contract Trust (Cost \$88,164,291)	88,164,291	-	88,164,291	-	-	-
Vanguard Index Trust - 500 Portfolio (Cost \$49,301,042)	75,764,074	-	-	75,764,074	-	-
Vanguard U.S. Growth Portfolio (Cost \$46,374,763)	62,996,962	-	-	-	62,996,962	-
Vanguard Wellington Fund (Cost \$17,415,133)	19,115,007	-	-	-	-	19,115,007
Temporary Investments (Cost Approximates Fair Value)	308	241	-	-	-	-
<b>Total Investments</b>	<b>317,581,766</b>	<b>68,514,023</b>	<b>88,164,291</b>	<b>75,764,074</b>	<b>62,996,962</b>	<b>19,115,007</b>
Contribution Receivable from Employers	22,644,974	1,372,671	10,275,136	4,632,422	3,993,277	1,928,218
Receivable from Employers for Withheld Participants' Contributions	1,395,711	91,947	391,319	391,168	333,773	156,157
Due from Brokers	1,655,464	1,543,543	-	-	-	-
Interfund Transfers	-	858,585	(35,679)	3,698	(2,722)	(828,447)
Cash	417,865	-	368,110	49,755	-	-
Accrued Interest and Dividends	4,297	693	1,410	1,086	769	166
Other	2,470	-	2,470	-	-	-
<b>Total Assets</b>	<b>343,702,547</b>	<b>72,381,462</b>	<b>99,167,057</b>	<b>80,842,203</b>	<b>67,322,059</b>	<b>20,371,101</b>
LIABILITIES						
Cash Overdraft	418,897	-	-	-	36,843	382,054
Administrative Fees Payable	218,952	85,121	-	-	127,701	5,551
<b>Total Liabilities</b>	<b>637,849</b>	<b>85,121</b>	<b>-</b>	<b>-</b>	<b>164,544</b>	<b>387,605</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$343,064,698</b>	<b>\$72,296,341</b>	<b>\$99,167,057</b>	<b>\$80,842,203</b>	<b>\$67,157,515</b>	<b>\$19,983,496</b>

ASSETS	Intimate Brands Stock Fund
Investments, at Fair Value:	
Determined by Quoted Market Price:	
Common Stock:	
The Limited, Inc. (Cost \$30,208,630)	\$ -
Intimate Brands, Inc. (Cost \$2,541,834)	3,027,342
Shares of Registered Investment Company:	
Vanguard Investment Contract Trust (Cost \$88,164,291)	-
Vanguard Index Trust - 500 Portfolio (Cost \$49,301,042)	-
Vanguard U.S. Growth Portfolio (Cost \$46,374,763)	-
Vanguard Wellington Fund (Cost \$17,415,133)	-
Temporary Investments (Cost Approximates Fair Value)	67
<b>Total Investments</b>	<b>3,027,409</b>
Contribution Receivable from Employers	443,250
Receivable from Employers for Withheld Participants' Contributions	31,347
Due from Brokers	111,921
Interfund Transfers	4,565
Cash	-
Accrued Interest and Dividends	173
Other	-
<b>Total Assets</b>	<b>3,618,665</b>

LIABILITIES

- - - - -

Cash Overdraft	-
Administrative Fees Payable	579
	-----
Total Liabilities	579
	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ 3,618,086
	=====

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1996

ASSETS	TOTAL	Limited Stock Fund	Fixed Income Fund	Index-500 Fund	U.S. Growth Fund	Wellington Fund
Investments, at Fair Value:						
Determined by Quoted Market Price:						
Common Stock:						
The Limited, Inc. (Cost \$34,108,707)	\$ 60,824,705	\$60,824,705	\$ -	\$ -	\$ -	\$ -
Intimate Brands, Inc. (Cost \$1,037,101)	976,468	-	-	-	-	-
Shares of Registered Investment Company:						
Vanguard Investment Contract Trust (Cost \$82,389,513)	82,389,513	-	82,389,513	-	-	-
Vanguard Index Trust - 500 Portfolio (Cost \$38,949,927)	53,136,984	-	-	53,136,984	-	-
Vanguard U.S. Growth Portfolio (Cost \$36,722,202)	46,268,660	-	-	-	46,268,660	-
Vanguard Wellington Fund (Cost \$9,986,245)	10,453,023	-	-	-	-	10,453,023
Temporary Investments (Cost Approximates Fair Value)	30,946	873	18,039	5,684	3,824	329
<b>Total Investments</b>	<b>254,080,299</b>	<b>60,825,578</b>	<b>82,407,552</b>	<b>53,142,668</b>	<b>46,272,484</b>	<b>10,453,352</b>
Contribution Receivable from Employers	20,704,066	2,147,770	7,190,373	5,136,265	4,396,598	1,667,242
Receivable from Employers for Withheld Participants' Contributions	1,183,352	118,433	391,432	298,971	255,519	108,647
Due from Brokers	311,530	311,530	-	-	-	-
Interfund Transfers	-	4,686	(12,473)	12,645	(4,213)	(2,507)
Accrued Interest and Dividends	4,553	1,089	1,772	847	682	131
<b>Total Assets</b>	<b>276,283,800</b>	<b>63,409,086</b>	<b>89,978,656</b>	<b>58,591,396</b>	<b>50,921,070</b>	<b>12,226,865</b>
LIABILITIES						
Due to Brokers						
Administrative Fees Payable	122,686	-	-	-	-	-
	278,885	114,176	29,286	15,828	109,033	10,562
<b>Total Liabilities</b>	<b>401,571</b>	<b>114,176</b>	<b>29,286</b>	<b>15,828</b>	<b>109,033</b>	<b>10,562</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$275,882,229</b>	<b>\$63,294,910</b>	<b>\$89,949,370</b>	<b>\$58,575,568</b>	<b>\$50,812,037</b>	<b>\$12,216,303</b>

ASSETS	Intimate Brands Stock Fund
Investments, at Fair Value:	
Determined by Quoted Market Price:	
Common Stock:	
The Limited, Inc. (Cost \$34,108,707)	\$ -
Intimate Brands, Inc. (Cost \$1,037,101)	976,468
Shares of Registered Investment Company:	
Vanguard Investment Contract Trust (Cost \$82,389,513)	-
Vanguard Index Trust - 500 Portfolio (Cost \$38,949,927)	-
Vanguard U.S. Growth Portfolio (Cost \$36,722,202)	-
Vanguard Wellington Fund (Cost \$9,986,245)	-
Temporary Investments (Cost Approximates Fair Value)	2,197
<b>Total Investments</b>	<b>978,665</b>
Contribution Receivable from Employers	165,818
Receivable from Employers for Withheld Participants' Contributions	10,350
Due from Brokers	-
Interfund Transfers	1,862
Accrued Interest and Dividends	32
<b>Total Assets</b>	<b>1,156,727</b>
LIABILITIES	

Due to Brokers	122,686
Administrative Fees Payable	-
	-----
Total Liabilities	122,686
	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ 1,034,041
	=====

The accompanying notes are an integral part of this financial statement.



THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1997

	Total	Limited Stock Fund	Fixed Income Fund	Index-500 Fund	U.S. Growth Fund	Wellington Fund
Investment Income:						
Increase in Net Unrealized						
Appreciation	\$ 32,720,107	\$11,589,154	\$ -	\$12,275,975	\$ 7,075,741	\$ 1,233,096
Realized Gain on Sale of Securities	17,867,974	8,862,376	-	5,135,799	3,381,580	398,590
Interest	5,334,197	10,449	5,286,565	18,262	14,531	2,544
Dividends	1,474,398	1,422,393	-	-	-	-
Mutual Funds' Earnings	5,548,382	-	-	1,569,334	2,443,033	1,536,015
Total Investment Income	62,945,058	21,884,372	5,286,565	18,999,370	12,914,885	3,170,245
Contributions:						
Employers	32,697,039	1,963,696	15,507,190	6,371,651	5,370,568	2,879,631
Participants	18,024,880	1,322,245	5,226,156	4,897,686	4,290,800	1,963,375
Total Contributions	50,721,919	3,285,941	20,733,346	11,269,337	9,661,368	4,843,006
Interfund Transfers	-	(6,914,328)	(1,840,989)	3,344,531	2,288,479	1,827,162
Administrative Expense	(892,874)	(204,971)	(261,763)	(203,185)	(174,289)	(42,505)
Benefits to Participants	(45,591,634)	(9,049,583)	(14,699,472)	(11,143,418)	(8,344,965)	(2,030,715)
Increase in Net Assets Available for Benefits	67,182,469	9,001,431	9,217,687	22,266,635	16,345,478	7,767,193
Beginning Net Assets Available for Benefits	275,882,229	63,294,910	89,949,370	58,575,568	50,812,037	12,216,303
Ending Net Assets Available for Benefits	\$343,064,698	\$72,296,341	\$99,167,057	\$80,842,203	\$67,157,515	\$19,983,496

	Intimate Brands Stock Fund
Investment Income:	
Increase in Net Unrealized	
Appreciation	\$ 546,141
Realized Gain on Sale of Securities	89,629
Interest	1,846
Dividends	52,005
Mutual Funds' Earnings	-
Total Investment Income	689,621
Contributions:	
Employers	604,303
Participants	324,618
Total Contributions	928,921
Interfund Transfers	1,295,145
Administrative Expense	(6,161)
Benefits to Participants	(323,481)
Increase in Net Assets Available for Benefits	2,584,045
Beginning Net Assets Available for Benefits	1,034,041
Ending Net Assets Available for Benefits	\$ 3,618,086

The accompanying notes are an integral part of this financial statement.



THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1995

	Total	Limited Stock Fund	Fixed Income Fund	Index-500 Fund	U.S. Growth Fund	Wellington Fund
Investment Income:						
Increase (Decrease) in Net Unrealized Appreciation	\$ 3,582,066	\$ (9,559,767)	\$ -	\$ 7,535,683	\$ 5,484,368	\$ 121,782
Realized Gain on Sale of Securities	7,412,552	5,426,833	-	1,096,390	877,023	12,306
Interest	4,771,693	10,190	4,752,866	4,761	3,726	150
Dividends	1,632,728	1,632,728	-	-	-	-
Mutual Funds' Earnings	2,054,249	-	-	832,487	1,151,646	70,116
Total Investment Income (Loss)	19,453,288	(2,490,016)	4,752,866	9,469,321	7,516,763	204,354
Contributions:						
Employers	29,943,002	4,142,615	13,472,869	6,246,002	4,928,087	1,153,429
Participants	13,909,162	2,380,938	4,899,509	3,466,763	2,694,626	467,326
Total Contributions	43,852,164	6,523,553	18,372,378	9,712,765	7,622,713	1,620,755
Interfund Transfers	-	(775,658)	(1,604,380)	(28,051)	378,900	2,029,189
Administrative Expense	(1,017,651)	(384,338)	(357,753)	(153,254)	(117,880)	(4,426)
Benefits to Participants	(24,679,806)	(7,721,019)	(9,758,147)	(3,959,696)	(3,188,820)	(52,124)
Increase (Decrease) in Net Assets Available for Benefits	37,607,995	(4,847,478)	11,404,964	15,041,085	12,211,676	3,797,748
Beginning Net Assets Available for Benefits	200,901,276	77,409,924	77,121,997	26,273,419	20,095,936	-
Ending Net Assets Available for Benefits	\$238,509,271	\$ 72,562,446	\$ 88,526,961	\$ 41,314,504	\$ 32,307,612	\$ 3,797,748

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS  
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(1) DESCRIPTION OF THE PLAN  
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General  
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The Limited, Inc. Savings and Retirement Plan (the "Plan") is a defined contribution plan covering certain employees of The Limited, Inc. and its affiliates (the "Employers") who are at least 21 years of age and have completed 1,000 or more hours of service during their first consecutive twelve months of employment or any calendar year beginning in or after their first consecutive twelve months of employment. Certain employees of the Employers, who are covered by a collective bargaining agreement, are not eligible to participate in the Plan. At December 31, 1997, there were 31,412 participants in the Plan.

Effective January 1, 1997, the Plan allows for the associates of Galyans Trading Company, Inc. who have met the eligibility requirements of the Plan to participate in the Plan for purposes of electing voluntary tax-deferred contributions only and will not be eligible to receive allocations of Employers' contributions as noted below.

Effective October 1, 1997, the Plan's enrollment dates were changed from quarterly to monthly.

On January 31, 1996, The Limited, Inc. sold 60% of its interest in World Financial Network National Bank and transferred the assets and liabilities allocated to the employees of World Financial Network National Bank and its affiliates to the World Financial Network National Bank Savings and Retirement Plan.

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) as amended.

Contributions  
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Employer Contributions:

The Employers may provide a non-service related retirement contribution of 4% of annual compensation up to the Social Security wage base and 7% of annual compensation after that and a service related retirement contribution of 1% of annual compensation for participants who have completed five or more years of vesting service as of the last day of the Plan year. Participants who complete 500 hours of service during the Plan year and are participants on the last day of the Plan year are eligible. The annual compensation of each participant taken into account under the Plan is limited to the maximum amount permitted under Section 401(a)(17) of the Internal Revenue Code. The annual compensation limit for the Plan year ended December 31, 1997, was \$160,000.

The Employers may provide a matching contribution of 100% of the participant's voluntary contributions up to 3% of the participant's total annual compensation.

Participant Voluntary Contributions:

A participant may elect to make a voluntary tax-deferred contribution of 1% to 6% of his or her annual compensation up to the maximum permitted under Section 402(g) of the Internal Revenue Code adjusted annually (\$9,500 at December 31, 1997). This voluntary tax-deferred contribution may be limited by Section 401(k) of the Internal Revenue Code.

Vesting

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A participant is fully and immediately vested for voluntary and rollover contributions and is credited with a year of vesting service in the Employers' contributions for each Plan year that they are credited with at least 500 hours of service. A summary of vesting percentages in the Employers' contributions follows:

Years of Vested Service	Percentage
Less than 3 years	0%
3 years	20
4 years	40
5 years	60
6 years	80
7 years	100

Payment Of Benefits

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The full value of participants' accounts becomes payable upon retirement, disability, or death. Upon termination of employment for any other reason participants' accounts, to the extent vested, become payable. Those participants with vested account balances greater than \$5,000 (\$3,500 prior to January 1, 1997) have the option of leaving their accounts invested in the Plan until age 65. All benefits will be paid as a lump-sum distribution. Those participants holding shares of Employer Securities will have the option of receiving such amounts in whole shares of Employer Securities and cash for any fractional shares. Participants have the option of having their benefit paid directly to an eligible retirement plan specified by the participant.

A participant who is fully vested in his or her account and who has participated in the Plan for at least seven years may obtain an in-service withdrawal from their account based on the percentage amounts designated by the Plan. A participant may also request a hardship distribution due to an immediate and heavy financial need based on the terms of the Plan.

Amounts Allocated to Participants Withdrawn from the Plan

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The vested portion of net assets available for benefits allocated to participants withdrawn from the plan as of December 31, 1997 and 1996, is set forth below:

	1997	1996
Limited Stock Fund	\$ 377,704	\$ 914,636
Fixed Income Fund	645,142	1,171,143
Index-500 Fund	489,489	371,539
U.S. Growth Fund	409,316	338,708
Wellington Fund	128,102	77,814
Intimate Brands Stock Fund	12,002	165
	-----	-----
	\$2,061,755	\$2,874,005
	=====	=====

Forfeitures

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Forfeitures are used to reduce the Employers' required contributions. Utilized forfeitures for 1997, 1996 and 1995, are set forth below:

	1997	1996	1995
Limited Stock Fund	\$ 345,937	\$ 309,429	\$ 268,411
Fixed Income Fund	2,715,821	3,178,025	1,691,327
Index-500 Fund	1,240,275	743,916	352,056
U.S. Growth Fund	1,028,955	692,299	295,948
Wellington Fund	269,006	36,468	-
Intimate Brands Stock Fund	9,983	-	-
	-----	-----	-----
	\$5,609,977	\$4,960,137	\$2,607,742
	=====	=====	=====

Expenses

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Brokerage fees, transfer taxes, and other expenses incurred in connection with the investment of the Plan's assets will be added to the cost of such investments or deducted from the proceeds thereof, as the case may be. Administrative expenses of the Plan will be paid from the Plan from earnings not allocated to participants' accounts. The remainder will be paid by the Employers, unless the Employers elect to pay more or all of such costs.

Tax Determination

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The Plan obtained its latest determination letter on January 30, 1995, in which the Internal Revenue Service stated that the Plan, as amended and restated January 1, 1992 was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Accordingly, the following Federal income tax rules will apply to the Plan:

Voluntary tax-deferred contributions made under the Plan by a participant and contributions made by the Employers to participant accounts are generally not taxable until such amounts are distributed.

The participants are not subject to Federal income tax on interest, dividends, or gains in their particular accounts until distributed.

The foregoing is only a brief summary of certain tax implications and applies only to Federal tax regulations currently in effect.

(2) SUMMARY OF ACCOUNTING POLICIES

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The Plan's financial statements are prepared on the accrual basis of accounting. Assets of the Plan are valued at fair value. If available, quoted market prices are used to value investments. The amounts for investments that have no quoted market price are shown at their estimated fair value, which is determined based on yields equivalent for such securities or for securities of comparable maturity, quality, and type as obtained from market makers.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Realized gains or losses on the distribution or sale of securities represent the difference between the average cost of such securities held and the fair value on the date of distribution or sale.

Reclassification of Prior Year Information

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Certain prior year information has been reclassified to conform with current year presentation.

Estimates

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The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(3) INVESTMENTS

Net unrealized appreciation, equal to the difference between cost and fair value of all investments held at the applicable valuation dates, is recognized in determining the value of each fund. The unrealized appreciation (depreciation) as of December 31, 1997, 1996 and 1995 is set forth below:

	1997	1996	1995
Limited Stock Fund	\$38,305,152	\$26,715,998	\$33,181,138
Fixed Income Fund	-	-	-
Index-500 Fund	26,463,032	14,187,057	8,565,992
U.S. Growth Fund	16,622,199	9,546,458	6,117,907
Wellington Fund	1,699,874	466,778	121,782
Intimate Brands Stock Fund	485,508	(60,633)	-
	-----	-----	-----
	\$83,575,765	\$50,855,658	\$47,986,819
	=====	=====	=====

The following is a summary of the net gain (loss) on securities sold or distributed during the periods ended December 31, 1997, 1996 and 1995:

	Proceeds	Cost	Realized Gain (Loss)
Period Ended December 31, 1997			
Limited Stock Fund	\$18,999,960	\$10,137,584	\$ 8,862,376
Fixed Income Fund	26,199,812	26,199,812	-
Index-500 Fund	15,205,435	10,069,636	5,135,799
U.S. Growth Fund	12,450,768	9,069,188	3,381,580
Wellington Fund	3,458,363	3,059,773	398,590
Intimate Brands Stock Fund	792,401	702,772	89,629
	-----	-----	-----
	\$77,106,739	\$59,238,765	\$17,867,974
	=====	=====	=====
Period Ended December 31, 1996			
Limited Stock Fund	\$24,864,301	\$12,521,218	\$12,343,083
Fixed Income Fund	31,802,226	31,802,226	-
Index-500 Fund	11,800,336	9,067,346	2,732,990
U.S. Growth Fund	8,582,452	6,581,129	2,001,323
Wellington Fund	1,842,744	1,752,579	90,165
Intimate Brands Stock Fund	11,229	12,651	(1,422)
	-----	-----	-----
	\$78,903,288	\$61,737,149	\$17,166,139
	=====	=====	=====
Period Ended December 31, 1995			
Limited Stock Fund	\$ 9,577,761	\$ 4,150,928	\$ 5,426,833
Fixed Income Fund	21,155,451	21,155,451	-
Index-500 Fund	6,616,037	5,519,647	1,096,390
U.S. Growth Fund	4,986,144	4,109,121	877,023
Wellington Fund	266,558	254,252	12,306
	-----	-----	-----
	\$42,601,951	\$35,189,399	\$ 7,412,552
	=====	=====	=====

Contributions under the Plan are invested in one of six investment funds:

(1) The Limited Stock Fund, consisting of common stock of The Limited, Inc., a Delaware corporation (the "Issuer") and parent company of the Employers, (2) the Fixed Income Fund, which is invested in the Vanguard Investment Contract Trust, and prior to January 1996, was also invested in other guaranteed investment contracts issued by insurance companies, (3) the Index-500 Fund, which is invested in the Vanguard Index - 500 Portfolio, (4) the U.S. Growth Fund, which is invested in the Vanguard U.S. Growth Portfolio, (5) the Wellington Fund, which is invested in the Vanguard Wellington Fund, and (6) the Intimate Brands Stock Fund, consisting of common stock of Intimate Brands, Inc., a Delaware corporation and an eighty-three percent owned subsidiary of The Limited, Inc. Prior to July 1, 1995 the Wellington Fund was not an investment option and prior to October 1, 1996 the Intimate Brands Stock Fund was not an investment option.

Participants' voluntary and Employers' contributions may be invested in any one or more of the funds, at the election of the participant. There are 5,216 participants in the Limited Stock Fund, 19,220 in the Fixed Income Fund, 10,330 in the Index-500 Fund, 8,625 in the U.S. Growth Fund, 5,854 in the Wellington Fund, and 1,602 in the Intimate Brands Stock Fund at December 31, 1997.

Participants may make or change an investment direction as of the first day of any month of the Plan year.

(4) PLAN ADMINISTRATION  
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The Plan is administered by a Committee, the members of which are appointed by the Board of Directors of the Employers.

(5) PLAN TERMINATION  
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Although the Employers have not expressed any intent to do so, the Employers have the right under the Plan to discontinue their contributions at any time. The Limited, Inc. has the right at any time, by action of its Board of Directors, to terminate the Plan subject to provisions of ERISA. Upon Plan termination or partial termination, participants will become fully vested in their accounts.