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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 1, 2014

OR

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

For the transition period from to

Commission file number 1-8344

L BRANDS, INC.

(Exact name of registrant as specified in its charter)
(Formerly known as Limited Brands, Inc.)

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

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

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

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

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

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

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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PART I

ITEM 1. BUSINESS.

General

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

Victoria’s Secret

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

Bath & Body Works

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

Other Brands

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

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

Acquisitions and Divestitures

Express

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

Limited Stores

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

Third-party Apparel Sourcing Business

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

Fiscal Year

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

Real Estate

Company-owned Retail Stores

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

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

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

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

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

Franchise, License and Wholesale Agreements

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

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

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

Our Strengths

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

Industry Leading Brands

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

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

In-Store Experience and Store Operations

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

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

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

Product Development, Sourcing and Logistics

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

Experienced and Committed Management Team

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

Additional Information

Merchandise Suppliers

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

Distribution and Merchandise Inventory

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

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

Information Systems

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

Seasonal Business

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

Working Capital

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

Regulation

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

Trademarks and Patents

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

Segment Information

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

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

Other Information

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

Competition

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

Associate Relations

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

Executive Officers of Registrant

Set forth below is certain information regarding our executive officers.

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

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

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

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

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

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

Available Information

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

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

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

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

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

ITEM 1A. RISK FACTORS.

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

- general economic conditions, consumer confidence, consumer spending patterns and market disruptions including severe weather conditions, natural disasters, health hazards, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- the seasonality of our business;
- the dependence on a high volume of mall traffic and the availability of suitable store locations on appropriate terms;
- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to successfully expand into global markets and related risks;
- our relationships with independent licensees and franchisees;
- our direct channel businesses;
- our failure to protect our reputation and our brand images;
- our failure to protect our trade names, trademarks and patents;
- the highly competitive nature of the retail industry generally and the segments in which we operate particularly;
- consumer acceptance of our products and our ability to keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
  - political instability;
  - duties, taxes and other charges;
  - legal and regulatory matters;
  - volatility in currency exchange rates;
  - local business practices and political issues;
  - potential delays or disruptions in shipping and transportation and related pricing impacts;
  - disruption due to labor disputes; and
  - changing expectations regarding product safety due to new legislation;
- fluctuations in foreign currency exchange rates;
- stock price volatility;
- our failure to maintain our credit rating;
- our ability to service or refinance our debt;
- our ability to retain key personnel;
- our ability to attract, develop and retain qualified employees and manage labor-related costs;
- the inability of our manufacturers to deliver products in a timely manner and meet quality standards;
- fluctuations in product input costs;
- fluctuations in energy costs;
- increases in the costs of mailing, paper and printing;
- claims arising from our self-insurance;
- our ability to implement and maintain information technology systems and to protect associated data;

- our failure to maintain the security of customer, associate, supplier or company information;
- our failure to comply with regulatory requirements;
- tax matters; and
- legal and compliance matters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- political instability;
- imposition of duties, taxes and other charges on imports or exports;

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

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

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

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

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

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

Our stock price may be volatile.

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

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

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

We may be unable to service or refinance our debt.

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

We may be unable to retain key personnel.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may fail to comply with regulatory requirements.

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

We may be adversely impacted by changes in taxation requirements.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

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

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

United States

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

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

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

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

International

Canada

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

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

United Kingdom

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

Other International

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

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

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

ITEM 3. LEGAL PROCEEDINGS.

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

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

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

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

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

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

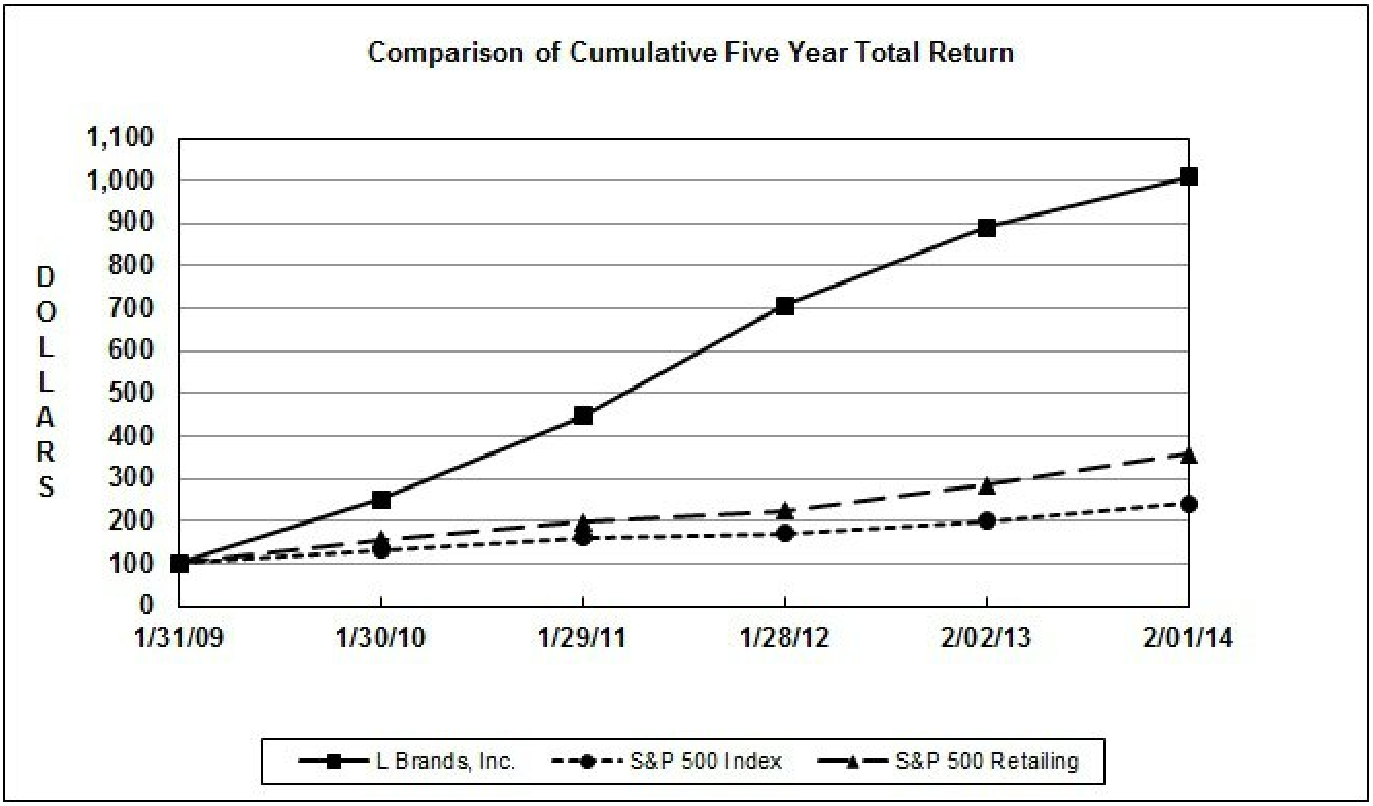
(b) In December 2012, our Board of Directors declared a special dividend of $3 per share which was distributed on December 26, 2012 to shareholders of record at the close of business on December 20, 2012.

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

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

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

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



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

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

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

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

ITEM 6. SELECTED FINANCIAL DATA.

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

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

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

- (i) In 2012, a $93 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $27 million impairment charge related to long-lived stores assets for our Henri Bendel business; and $14 million of expense associated with the store closure initiative at La Senza.
- (ii) In 2011, a $232 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $111 million gain related to the divestiture of 51% of our third-party apparel sourcing business;

$163 million of expense related to the charitable contribution of our remaining shares of Express to The Limited Brands Foundation; and $24 million of restructuring expenses at La Senza.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Executive Overview

Strategy

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

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

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

Grow our business in North America

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

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

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

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

Extend our core brands internationally

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

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

Focus on the fundamentals of our business

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

Return value to our shareholders

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

2013 Overview

We utilize the retail calendar for reporting. As such, the results for fiscal years 2013 and 2011 represent the 52-week periods ended February 1, 2014 and January 28, 2012, respectively and fiscal year 2012 represents the 53-week period ended February 2, 2013. The 2013 and 2011 fourth quarters consisted of a 13-week period versus a 14-week period in 2012. The extra week in 2012 accounted for approximately $125 million in incremental sales in the fourth quarter.

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

For additional information related to our 2013 financial performance, see “Results of Operations – 2013 Compared to 2012.”

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

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

Adjusted Financial Information

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

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

2014 Outlook

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

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

Company-Owned Store Data

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

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

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

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

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

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

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

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

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

Results of Operations—2013 Compared to 2012

Operating Income

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

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

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.
(b) 2012 includes $93 million impairments of goodwill, trade name and other intangible assets at La Senza. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
(c) 2012 includes a $27 million impairment of long-lived store assets at Henri Bendel. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
(d) 2012 includes $14 million of expense associated with restructuring activities at La Senza. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

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

Net Sales

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

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

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

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

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

The following table compares 2013 comparable store sales to 2012:

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

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

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

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

Victoria's Secret

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

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

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

Bath & Body Works

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

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

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

Other

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

Gross Profit

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

Victoria's Secret

For 2013, gross profit decreased primarily driven by:

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

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

Bath & Body Works

For 2013, gross profit decreased primarily driven by:

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

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

Other

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

General, Administrative and Store Operating Expenses

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

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

Impairment of Goodwill and Other Intangible Assets

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

Other Income and Expenses

Interest Expense

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

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

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

Other Income

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

Provision for Income Taxes

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

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

Operating Income

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

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

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.
(b) 2012 includes a $93 million impairment of goodwill, trade name and other intangible assets at La Senza. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.
(c) 2012 includes a $27 million impairment of long-lived store assets at Henri Bendel. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

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

Net Sales

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

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

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

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

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

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

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

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

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

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

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

Victoria's Secret

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

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

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

Bath & Body Works

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

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

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

Other

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

Gross Profit

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

Victoria's Secret

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

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

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

Bath & Body Works

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

- At Bath & Body Works Stores, gross profit decreased due to lower merchandise margin dollars primarily related to the decrease in net sales. The decrease in merchandise margin dollars was partially offset by lower buying and occupancy expenses related to the decrease in net sales.

- At Bath & Body Works Direct, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales and lower buying and occupancy expenses due to lower fulfillment costs.

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

Other

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

General, Administrative and Store Operating Expenses

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

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

Impairment of Goodwill and Other Intangible Assets

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

Other Income and Expense

Interest Expense

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

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

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

Other Income

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

Provision for Income Taxes

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

Results of Operations—2012 Compared to 2011

Operating Income

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

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

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

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

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

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

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

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

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

Net Sales

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

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

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

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

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

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

The following table compares 2012 comparable store sales to 2011:

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

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

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

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

Victoria's Secret

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

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

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

Bath & Body Works

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

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

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

Other

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

Gross Profit

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

Victoria's Secret

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

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

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

Bath & Body Works

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

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

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

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

Other

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

General, Administrative and Store Operating Expenses

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

Impairment of Goodwill and Other Intangible Assets

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

Divestiture of Third-party Apparel Sourcing Business

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

Other Income and Expenses

Interest Expense

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

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

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

Other Income

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

Provision for Income Taxes

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

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

Operating Income

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

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

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

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

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

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

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

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

Net Sales

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

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

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

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

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

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

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

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

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

Victoria's Secret

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

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

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

Bath & Body Works

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

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

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

Other

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

Gross Profit

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

Victoria's Secret

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

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

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

Bath & Body Works

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

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

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

Other

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

General, Administrative and Store Operating Expenses

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

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

Impairment of Goodwill and Other Intangible Assets

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

Gain on Divestiture of Third-party Apparel Sourcing Business

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

Other Income and Expense

Interest Expense

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

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

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

Other Income

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

Provision for Income Taxes

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

FINANCIAL CONDITION

Liquidity and Capital Resources

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

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

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

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

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

(a) The balance as of February 1, 2014 includes a fair value interest rate hedge adjustment which increased the debt balance by $2 million.
(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $19 million as of February 1, 2014 and $22 million as of February 2, 2013.
(c) The principal balance outstanding was $213 million as of both February 1, 2014 and February 2, 2013. The balances include a fair value interest rate hedge adjustment which increased the debt balance by $3 million as of February 1, 2014 and $5 million as of February 2, 2013.

Issuance of Notes

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

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

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

Revolving Facility

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

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

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

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

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

Letters of Credit

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

Fair Value Interest Rate Swap Arrangements

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

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

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

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

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

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

Working Capital and Capitalization

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

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

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

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

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

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

(a) Long-term debt divided by total capitalization
(b) Net cash provided by operating activities divided by capital expenditures

Credit Ratings

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

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

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

Common Stock Share Repurchases

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

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

(a) The November 2012 repurchase program had $176 million remaining as of February 1, 2014.
(b) The February 2012 repurchase program had $50 million remaining at the time it was cancelled in conjunction with the approval of the November 2012 repurchase program.
(c) The November 2010 repurchase program had $31 million remaining at the time it was cancelled in conjunction with the approval of the March 2011 repurchase program.
NA Not applicable

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

Subsequent to February 1, 2014, we repurchased an additional 0.3 million shares of common stock for $15 million under the November 2012 repurchase program.

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

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

Dividend Policy and Procedures

Under the authority and declaration of our Board of Directors, we paid the following dividends during the fiscal years 2013, 2012 and 2011:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2013				
Fourth Quarter	$ 0.30	$ —	$ 0.30	$ 88
Third Quarter	0.30	—	0.30	87
Second Quarter	0.30	—	0.30	87
First Quarter	0.30	—	0.30	87
2013 Total	$ 1.20	$ —	$ 1.20	$ 349
2012				
Fourth Quarter	$ 0.25	$ 3.00	$ 3.25	$ 942
Third Quarter	0.25	1.00	1.25	361
Second Quarter	0.25	—	0.25	73
First Quarter	0.25	—	0.25	73
2012 Total	$ 1.00	$ 4.00	$ 5.00	$ 1,449
2011				
Fourth Quarter	$ 0.20	$ 2.00	$ 2.20	$ 653
Third Quarter	0.20	—	0.20	60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	$ 0.80	$ 3.00	$ 3.80	$ 1,144

Our Board of Directors will determine future dividends after giving consideration to the Company's levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating activities to fund our ordinary dividends and a combination of cash flow generated from operating activities and financing activities to fund our special dividends.

Subsequent to February 1, 2014, our Board of Directors declared an increase in our first quarter 2014 ordinary dividend from $0.30 to $0.34 per share and a special dividend of $1 per share. Both dividends, totaling $390 million, were paid on March 7, 2014 to shareholders of record at the close of business on February 21, 2014.

Treasury Share Retirement

In December 2011, we retired 39 million shares of our treasury stock to reduce the related administrative expense. The retirement resulted in a reduction of $1.341 billion in Treasury Stock, $19 million in the par value of Common Stock, $286 million in Paid-in Capital and $1.036 billion in Retained Earnings.

Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended February 1, 2014, February 2, 2013 and January 28, 2012:

	2013	2012	2011
		(in millions)	
Cash and Cash Equivalents, Beginning of Year	$ 773	$ 935	$ 1,130
Net Cash Flows Provided by Operating Activities	1,248	1,351	1,266
Net Cash Flows Used for Investing Activities	(655)	(531)	(226)
Net Cash Flows Provided by (Used for) Financing Activities	154	(982)	(1,237)
Effect of Exchange Rate Changes on Cash	(1)	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	746	(162)	(195)
Cash and Cash Equivalents, End of Year	$ 1,519	$ 773	$ 935

Operating Activities

Net cash provided by operating activities in 2013 was $1.248 billion, including net income of $903 million. Net income included depreciation and amortization of $407 million and share-based compensation expense of $85 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was a decrease in operating cash flow associated with an increase in inventories of $168 million.

Net cash provided by operating activities in 2012 was $1.351 billion, including net income of $753 million and excess tax benefits from share-based compensation of $116 million. Net income included depreciation and amortization of $389 million, impairment of goodwill and other intangible assets for our La Senza business of $93 million, share-based compensation expense of $73 million and impairment of long-lived store assets for our Henri Bendel business of $27 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was an increase in operating cash flow associated with an increase in income taxes payable of $139 million.

Net cash provided by operating activities in 2011 was $1.266 billion. Net income of $850 million included depreciation and amortization of $391 million, impairment of goodwill and other intangible assets for our La Senza business of $232 million, expense associated with a contribution of our remaining shares of Express to The Limited Brands Foundation of $163 million, a gain related to The Limited Brands Foundation contribution of $147 million, a gain related to the divestiture of our third-party apparel sourcing business of $111 million and a pre-tax gain on the sale of Express common stock of $86 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant items in working capital were the increases in accounts receivable and accounts payable related to the divestiture of our third-party apparel sourcing business.

Investing Activities

Net cash used for investing activities in 2013 was $655 million consisting primarily of $691 million of capital expenditures partially offset by the return of capital from the third-party apparel sourcing business investment of $46 million. The capital expenditures included $551 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2012 was $531 million consisting primarily of $588 million of capital expenditures partially offset by the return of capital from the third-party apparel sourcing business investment and return of capital from our Easton investments of $22 million and $13 million, respectively. The capital expenditures included $425 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2011 was $226 million consisting primarily of $426 million of capital expenditures partially offset by cash proceeds from the divestiture of our third-party apparel sourcing business investment and the sale of Express common stock of $124 million and $99 million, respectively. The capital expenditures included $281 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

We anticipate spending approximately $750 million for capital expenditures in 2014 with the majority relating to opening new stores and remodeling and improving existing stores. We expect to open approximately 85 new company-owned stores in 2014, primarily in Canada and the U.S.

Financing Activities

Net cash provided by financing activities in 2013 was $154 million consisting primarily of proceeds from the issuance of long-term debt of $495 million (net of issuance costs), excess tax benefits from share-based compensation of $36 million and proceeds from the exercise of stock options of $32 million. These were partially offset by quarterly dividend payments aggregating $1.20 per share, or $349 million, and repurchases of common stock of $60 million.

Net cash used for financing activities in 2012 was $982 million consisting primarily of quarterly and special dividend payments aggregating $5.00 per share, or $1.449 billion, repurchases of common stock of $629 million and the repayment of long-term debt of $57 million. These were partially offset by proceeds from the issuance of long-term debt of $985 million (net of issuance costs), excess tax benefits from share-based compensation of $116 million and proceeds from the exercise of stock options of $52 million.

Net cash used for financing activities in 2011 was $1.237 billion consisting primarily of repurchases of common stock of $1.190 billion and quarterly and special dividend payments aggregating $3.80 per share, or $1.144 billion, partially offset by proceeds from the issuance of long-term debt of $981 million (net of issuance costs) and proceeds from the exercise of stock options of $75 million.

Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of February 1, 2014:

	Payments Due by Period					
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Other
	(in millions)					
Long-term Debt (a)	$ 7,826	$ 541	$ 633	$ 1,261	$ 5,391	$ —
Operating Leases Obligations (b)	3,690	559	1,004	756	1,371	—
Purchase Obligations (c)	1,158	1,061	86	7	4	—
Other Liabilities (d)	449	124	7	—	—	318
Total	$ 13,123	$ 2,285	$ 1,730	$ 2,024	$ 6,766	$ 318

(a) Long-term debt obligations relate to our principal and interest payments for outstanding notes and debentures. Interest payments have been estimated based on the coupon rate for fixed rate obligations. Interest obligations exclude amounts which have been accrued through February 1, 2014. For additional information, see Note 11 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(b) Operating lease obligations primarily represent minimum payments due under store lease agreements. For additional information, see Note 15 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(c) Purchase obligations primarily include purchase orders for merchandise inventory and other agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

(d) Other liabilities primarily include future payments relating to our nonqualified supplemental retirement plan of $243 million which have been reflected under “Other” as the timing of these future payments is not known until an associate leaves the Company or otherwise requests an in-service distribution. In addition, Other liabilities also include future estimated payments associated with unrecognized tax benefits. The “Less Than 1 Year” category includes $118 million of these tax items because it is reasonably possible that the payments could change in the next 12 months due to audit settlements or resolution of uncertainties. The remaining portion totaling $75 million is included in the “Other” category as the timing and amount of these payments is not known until the matters are resolved with relevant tax authorities. For additional information, see Notes to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

In connection with the disposition of certain businesses, we have remaining guarantees of approximately $43 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick’s Sporting Goods and New York & Company under the current terms of noncancelable leases expiring at various dates through 2018. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, our guarantee may remain in effect if the term of a lease is extended.

The following table details the guaranteed lease payments during the next five fiscal years:

Fiscal Year (in millions)		
2014	$	19
2015		11
2016		7
2017		4
2018		2
Thereafter		—
Total	$	43

Our guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled $22 million as of February 1, 2014 and $36 million as of February 2, 2013. The estimated fair value of these guarantee obligations was $1 million as of February 1, 2014 and $2 million as of February 2, 2013, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets. The decrease in the fair value from February 2, 2013 to February 1, 2014 reflects the decrease in the remaining obligation period.

Our guarantees related to Abercrombie & Fitch and Dick's Sporting Goods are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. We had no liability recorded with respect to any of the guarantee obligations as we concluded that payments under these guarantees were not probable as of February 1, 2014 and February 2, 2013.

These guarantees are not included within the Contingent Liabilities and Contractual Obligations table.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements as defined by Regulation 229.303 Item 303 (a) (4).

Impact of Inflation

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management has discussed the development and selection of our critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

Inventories

Inventories are principally valued at the lower of cost or market, on a weighted-average cost basis.

We record valuation adjustments to our inventories if the cost of inventory on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. If actual demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected by adjustments to these estimates.

We also record inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Management believes that the assumptions used in these estimates are reasonable and appropriate. A 10% increase or decrease in the inventory valuation adjustment would have impacted net income by approximately $2 million for 2013. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately $2 million for 2013.

Valuation of Long-lived Assets

Property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset. When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life.

In the fourth quarter of 2012, we concluded that the continued negative operating results of the Henri Bendel business were an indicator of potential impairment of the Henri Bendel long-lived store assets. We calculated the impairment by comparing the estimated discounted cash flows at each store to its respective carrying value and recognized an impairment charge of $27 million. This impairment charge is included in Cost of Goods Sold, Buying & Occupancy on the 2012 Consolidated Statement of Income. Based on the evaluation performed in the fourth quarter of 2013, we concluded that no impairment charge was necessary in 2013. The remaining carrying value of the Henri Bendel long-lived stores assets was $5 million and $6 million as of February 1, 2014 and February 2, 2013, respectively.

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. First, pursuant to Accounting Standards Update ("ASU") 2011-08, *Testing Goodwill for Impairment*, we perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying value, we then estimate the fair value of all assets and liabilities of that reporting unit, including the implied fair value of goodwill, through either estimated discounted future cash flows or market-based methodologies. If the carrying value of goodwill exceeds the implied fair value, we recognize an impairment charge equal to the difference. Our reporting units are determined in accordance with the provisions of ASC Topic 350, *Intangibles - Goodwill and Other*. Our reporting units that have goodwill are Victoria's Secret Stores, Victoria's Secret Direct, and Bath & Body Works.

The carrying value of goodwill for La Senza was reduced to zero as of February 2, 2013 due to impairments of $189 million, $119 million and $12 million in 2008, 2011 and 2012, respectively. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. Pursuant to ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, we first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If we determine that it is more likely than not that the fair value of the asset is less than its carrying amount, we estimate the fair value, usually determined by the estimated discounted future cash flows of the asset, compare that value with its carrying amount and record an impairment charge, if any.

The carrying value of trade names for La Senza was reduced to zero as of February 2, 2013 due to impairments of $26 million, $3 million, $113 million and $81 million in 2008, 2009, 2011 and 2012, respectively. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

We estimate the fair value of property and equipment, goodwill and intangible assets in accordance with the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*. If future economic conditions are different than those projected by management, future impairment charges may be required.

Claims and Contingencies

We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. Our determination of the treatment of claims and contingencies in the Consolidated Financial Statements is based on management's view of the expected outcome of the applicable claim or contingency. We consult with legal counsel on matters related to litigation and seek input from both internal and external experts within and outside our organization with respect to matters in the ordinary course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is reasonably estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not reasonably determinable, disclosure of a material claim or contingency is disclosed in the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized. U.S. deferred income taxes are not provided on undistributed income of foreign subsidiaries where such earnings are considered to be permanently reinvested for the foreseeable future.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In determining our provision for income taxes, we use an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. We adjust the annual effective income tax rate as additional information on outcomes or events becomes available. Our effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

We follow the authoritative guidance included in ASC Topic 740, *Income Taxes*, which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. Our policy is to include interest and penalties related to uncertain tax positions in income tax expense.

Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which we have established an accrual is audited and fully resolved or clarified. We adjust our tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from our established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Although we believe that our estimates are reasonable, actual results could differ from these estimates resulting in a final tax outcome that may be materially different from that which is reflected in our Consolidated Financial Statements.

Revenue Recognition

Company-owned Stores and Direct Channels

While our recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy for our organization. We recognize revenue upon customer receipt of the merchandise. We also provide a reserve for projected merchandise returns based on prior experience. For direct channel revenues, we estimate shipments that have not been received by the customer based on shipping terms and historical delivery times.

All of our brands sell gift cards with no expiration dates to customers in retail stores, through our direct channels and through third parties. We do not charge administrative fees on unused gift cards. We recognize income from gift cards when they are redeemed by the customer. In addition, we recognize income on unredeemed gift cards when we can determine that the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). We determine the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in our Consolidated Statements of Income.

Franchise and Other

We also recognize revenues associated with franchise and wholesale arrangements. Revenue recognized under franchise arrangements generally consists of royalties earned upon sale of merchandise by franchisees to third-party customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the customer.

We recognize revenue associated with merchandise sourcing and production services provided to third parties. Revenue is recognized at the time the title passes to the customer.

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

Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in foreign currency exchange rates or interest rates. We use derivative financial instruments like the cross-currency swaps, forward contracts and interest rate swap arrangements to manage exposure to market risks. We do not use derivative financial instruments for trading purposes.

Foreign Exchange Rate Risk

We have operations in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. To mitigate the translation risk to our earnings and the fair value of our Canadian operations associated with fluctuations in the U.S. dollar-Canadian dollar exchange rate, we entered into a series of cross-currency swaps related to Canadian dollar denominated intercompany loans. These cross-currency swaps require the periodic exchange of fixed rate Canadian dollar interest payments for fixed rate U.S. dollar interest payments as well as exchange of Canadian dollar and U.S. dollar principal payments upon maturity. The swap arrangements mature between 2015 and 2018 at the same time as the related loans. As a result of the Canadian dollar denominated intercompany loans and the related cross-currency swaps, we do not believe there is any material translation risk to our Canadian net earnings associated with fluctuations in the U.S. dollar-Canadian dollar exchange rate.

In addition, our Canadian dollar and British pound denominated earnings are subject to exchange rate risk as substantially all of our merchandise sold in Canada and the U.K. is sourced through U.S. dollar transactions. We utilize foreign currency forward contracts to partially offset these risks.

Interest Rate Risk

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities are the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. Currently, our investment portfolio is comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, highly-rated commercial paper and bank deposits. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

All of our long-term debt as of February 1, 2014 has fixed interest rates. We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. As of February 1, 2014, we have interest rate swap arrangements with notional amounts of $200 million related to a portion of our 2017 Notes and $200 million related to a portion of our 2019 Notes.

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

For the balance of our long-term debt that is not subject to interest rate swap arrangements, our exposure to interest rate changes is limited to the fair value of the debt issued, which would not have a material impact on our earnings or cash flows.

Fair Value of Financial Instruments

As of February 1, 2014, management believes that the carrying values of cash and cash equivalents, receivables and payables approximate fair value because of the short maturity of these financial instruments.

The following table provides a summary of the carrying value and fair value of long-term debt and swap arrangements as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Long-term Debt (a):		
Carrying Value	$ 4,976	$ 4,477
Fair Value, Estimated (b)	5,333	5,023
Cross-currency Swap Arrangements (c)	13	59
Fixed-to-Floating Interest Rate Swap Arrangements (c)	(5)	—

(a) The increase in the long-term debt is related to the issuance of the October 2023 Notes.
(b) The estimated fair value is based on reported transaction prices. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.
(c) Swap arrangements are in an (asset) liability position.

Concentration of Credit Risk

We maintain cash and cash equivalents and derivative contracts with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. We also periodically review the relative credit standing of franchise, license and wholesale partners and other entities to which we grant credit terms in the normal course of business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

L BRANDS, INC.
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Our fiscal year ends on the Saturday nearest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. The results for fiscal years 2013 and 2011 refer to the 52-week periods ending February 1, 2014 and January 28, 2012, respectively, and 2012 represents the 53-week period ending February 2, 2013.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of February 1, 2014. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria).

Based on our assessment and the COSO criteria, management believes that the Company maintained effective internal control over financial reporting as of February 1, 2014.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of February 1, 2014.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of L Brands, Inc.:

We have audited L Brands, Inc.'s internal control over financial reporting as of February 1, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). L Brands, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, L Brands, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 1, 2014, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of L Brands, Inc. as of February 1, 2014 and February 2, 2013, and the related Consolidated Statements of Income, Comprehensive Income, Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 1, 2014 of L Brands, Inc., and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 21, 2014

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

The Board of Directors and Shareholders of L Brands, Inc.:

We have audited the accompanying Consolidated Balance Sheets of L Brands, Inc. as of February 1, 2014 and February 2, 2013, and the related Consolidated Statements of Income, Comprehensive Income, Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 1, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L Brands, Inc. at February 1, 2014 and February 2, 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 1, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), L Brands, Inc.'s internal control over financial reporting as of February 1, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 21, 2014

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

	2013	2012	2011
Net Sales	$ 10,773	$ 10,459	$ 10,364
Costs of Goods Sold, Buying and Occupancy	(6,344)	(6,073)	(6,307)
Gross Profit	4,429	4,386	4,057
General, Administrative and Store Operating Expenses	(2,686)	(2,720)	(2,698)
Impairment of Goodwill and Other Intangible Assets	—	(93)	(232)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	—	111
Operating Income	1,743	1,573	1,238
Interest Expense	(314)	(316)	(246)
Other Income	17	24	235
Income Before Income Taxes	1,446	1,281	1,227
Provision for Income Taxes	543	528	377
Net Income	$ 903	$ 753	$ 850
Net Income Per Basic Share	$ 3.12	$ 2.60	$ 2.80
Net Income Per Diluted Share	$ 3.05	$ 2.54	$ 2.70

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

	2013	2012	2011
Net Income	$ 903	$ 753	$ 850
Other Comprehensive Income (Loss), Net of Tax:			
Reclassification of Cash Flow Hedges to Earnings	(50)	5	3
Foreign Currency Translation	40	(2)	(1)
Unrealized Gain (Loss) on Cash Flow Hedges	46	1	(3)
Total Other Comprehensive Income (Loss), Net of Tax	36	4	(1)
Total Comprehensive Income	$ 939	$ 757	$ 849

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

L BRANDS, INC.

CONSOLIDATED BALANCE SHEETS

(in millions except per share amounts)

	February 1, 2014	February 2, 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,519	$ 773
Accounts Receivable, Net	244	203
Inventories	1,165	1,004
Deferred Income Taxes	28	29
Other	194	196
Total Current Assets	3,150	2,205
Property and Equipment, Net	2,045	1,803
Goodwill	1,318	1,318
Trade Names and Other Intangible Assets, Net	411	412
Other Assets	274	281
Total Assets	$ 7,198	$ 6,019
LIABILITIES AND EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	$ 599	$ 541
Accrued Expenses and Other	787	807
Current Portion of Long-term Debt	215	—
Income Taxes	225	190
Total Current Liabilities	1,826	1,538
Deferred Income Taxes	210	200
Long-term Debt	4,761	4,477
Other Long-term Liabilities	770	818
Shareholders' Equity (Deficit):		
Preferred Stock—$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—$0.50 par value; 1,000 shares authorized; 307 and 304 shares issued; 291 and 289 shares outstanding, respectively	154	152
Paid-in Capital	302	186
Accumulated Other Comprehensive Income	40	4
Retained Earnings (Accumulated Deficit)	(118)	(672)
Less: Treasury Stock, at Average Cost; 16 and 15 shares, respectively	(748)	(685)
Total L Brands, Inc. Shareholders' Equity (Deficit)	(370)	(1,015)
Noncontrolling Interest	1	1
Total Equity (Deficit)	(369)	(1,014)
Total Liabilities and Equity (Deficit)	$ 7,198	$ 6,019

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

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIT)

(in millions except per share amounts)

	Common Stock							
	Shares Outstanding	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
Balance, January 29, 2011	321	$ 164	$ 164	$ 1	$ 1,354	$ (207)	$ 1	$ 1,477
Net Income	—	—	—	—	850	—	—	850
Other Comprehensive Income (Loss)	—	—	—	(1)	—	—	—	(1)
Total Comprehensive Income (Loss)	—	—	—	(1)	850	—	—	849
Cash Dividends ($3.80 per share)	—	—	—	—	(1,144)	—	—	(1,144)
Repurchase of Common Stock	(32)	—	—	—	—	(1,194)	—	(1,194)
Treasury Share Retirement	—	(19)	(286)	—	(1,036)	1,341	—	—
Exercise of Stock Options and Other	6	3	147	—	—	—	—	150
Balance, January 28, 2012	295	$ 148	$ 25	$ —	$ 24	$ (60)	$ 1	$ 138
Net Income	—	—	—	—	753	—	—	753
Other Comprehensive Income	—	—	—	4	—	—	—	4
Total Comprehensive Income	—	—	—	4	753	—	—	757
Cash Dividends ($5.00 per share)	—	—	—	—	(1,449)	—	—	(1,449)
Repurchase of Common Stock	(14)	—	—	—	—	(625)	—	(625)
Exercise of Stock Options and Other	8	4	161	—	—	—	—	165
Balance, February 2, 2013	289	$ 152	$ 186	$ 4	$ (672)	$ (685)	$ 1	$ (1,014)
Net Income	—	—	—	—	903	—	—	903
Other Comprehensive Income	—	—	—	36	—	—	—	36
Total Comprehensive Income	—	—	—	36	903	—	—	939
Cash Dividends ($1.20 per share)	—	—	—	—	(349)	—	—	(349)
Repurchase of Common Stock	(1)	—	—	—	—	(63)	—	(63)
Exercise of Stock Options and Other	3	2	116	—	—	—	—	118
Balance, February 1, 2014	291	$ 154	$ 302	$ 40	$ (118)	$ (748)	$ 1	$ (369)

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

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	2013	2012	2011
Operating Activities			
Net Income	$ 903	$ 753	$ 850
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization of Long-lived Assets	407	389	391
Amortization of Landlord Allowances	(39)	(35)	(35)
Deferred Income Taxes	18	11	(37)
Share-based Compensation Expense	85	73	51
Excess Tax Benefits from Share-based Compensation	(36)	(116)	(48)
Goodwill and Intangible Asset Impairment Charges	—	93	232
Long-lived Store Asset Impairment Charges	—	27	—
Gain on Distributions from Easton Investments	—	(13)	—
Gain on Sale of Assets	—	(3)	—
Expense related to Contribution of Express Common Stock to The Limited Brands Foundation	—	—	163
Gain on Contribution of Express Common Stock to The Limited Brands Foundation	—	—	(147)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	—	(111)
Gain on Sale of Express Common Stock	—	—	(86)
Changes in Assets and Liabilities, Net of Assets and Liabilities related to Divestitures:			
Accounts Receivable	(43)	5	(152)
Inventories	(168)	(7)	(27)
Accounts Payable, Accrued Expenses and Other	1	(43)	106
Income Taxes Payable	74	139	13
Other Assets and Liabilities	46	78	103
Net Cash Provided by Operating Activities	1,248	1,351	1,266
Investing Activities			
Capital Expenditures	(691)	(588)	(426)
Return of Capital from Third-party Apparel Sourcing Business Investment	46	22	—
Return of Capital from Easton Investments	—	13	—
Proceeds from Divestiture of Third-party Apparel Sourcing Business	—	—	124
Proceeds from Sale of Express Common Stock	—	—	99
Other Investing Activities	(10)	22	(23)
Net Cash Used for Investing Activities	(655)	(531)	(226)
Financing Activities			
Proceeds from Long-term Debt, Net of Issuance Costs	495	985	981
Borrowings from Revolving Facility	290	—	—
Repayments on Revolving Facility	(290)	—	—
Payments of Long-term Debt	—	(57)	—
Financing Costs	—	—	(7)
Repurchase of Common Stock	(60)	(629)	(1,190)
Dividends Paid	(349)	(1,449)	(1,144)
Excess Tax Benefits from Share-based Compensation	36	116	48
Proceeds from Exercise of Stock Options and Other	32	52	75
Net Cash Provided by (Used for) Financing Activities	154	(982)	(1,237)
Effects of Exchange Rate Changes on Cash	(1)	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	746	(162)	(195)
Cash and Cash Equivalents, Beginning of Year	773	935	1,130
Cash and Cash Equivalents, End of Year	$ 1,519	$ 773	$ 935

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

L BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

L Brands, Inc. (“the Company”) operates in the highly competitive specialty retail business. The Company is a specialty retailer of women’s intimate and other apparel, beauty and personal care products and accessories. The Company sells its merchandise through company-owned specialty retail stores in the United States (“U.S.”), Canada and the United Kingdom (“U.K.”), which are primarily mall-based, and through its websites, catalogue and other channels. The Company's other international operations are primarily through franchise, license and wholesale partners. The Company currently operates the following retail brands:

- Victoria’s Secret
- PINK
- Bath & Body Works
- La Senza
- Henri Bendel

Fiscal Year

The Company’s fiscal year ends on the Saturday nearest to January 31. As used herein, “2013” and “2011” refer to the 52-week periods ending February 1, 2014 and January 28, 2012, respectively. “2012” refers to the 53-week period ending February 2, 2013.

Basis of Consolidation

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

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company’s share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company’s share of net income or loss of all other unconsolidated entities is included in Other Income on the Consolidated Statements of Income. The Company’s equity investments are required to be tested for impairment when it is determined there may be an other than temporary loss in value.

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners. The Company is accounting for its continuing investment under the equity method of accounting. For additional information, see Note 8, “Equity Investments and Other.”

Express

In April 2011, the Company sold a portion of its remaining shares of common stock in Express in an Express secondary offering, which reduced the Company’s ownership in Express from 14% to 8%. A gain was recognized upon the disposition of the shares. In April 2011, the Company also formally renounced its rights to its Express Board of Directors’ seat. As a result, the Company changed its accounting for its investment in Express from the cost method to the available-for-sale method of accounting in the first quarter of 2011.

In July 2011, the Company contributed all of its remaining shares of common stock in Express to The Limited Brands Foundation. For additional information, see Note 8, “Equity Investments and Other.”

Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, demand deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's outstanding checks, which totaled $62 million as of February 1, 2014 and $59 million as of February 2, 2013, are included in Accounts Payable on the Consolidated Balance Sheets.

Concentration of Credit Risk

The Company maintains cash and cash equivalents and derivative contracts with various major financial institutions. The Company monitors the relative credit standing of financial institutions with whom the Company transacts and limits the amount of credit exposure with any one entity. Currently, the Company's investment portfolio is comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, highly-rated commercial paper and bank deposits.

The Company also periodically reviews the relative credit standing of franchise, license and wholesale partners and other entities to which the Company grants credit terms in the normal course of business.

Inventories

Inventories are principally valued at the lower of cost or market, on a weighted-average cost basis.

The Company records valuation adjustments to its inventories if the cost of specific inventory items on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Advertising Costs

Advertising and catalogue costs are expensed at the time the promotion first appears in media or in the store or when the advertising is mailed. Advertising and catalogue costs totaled $452 million for 2013, $460 million for 2012 and $474 million for 2011.

Property and Equipment

The Company's property and equipment are recorded at cost and depreciation/amortization is computed on a straight-line basis using the following depreciable life ranges:

Category of Property and Equipment	Depreciable Life Range
Software, including software developed for internal use	3 - 7 years
Store related assets	3 - 10 years
Leasehold improvements	Shorter of lease term or 10 years
Non-store related building and site improvements	10 - 15 years
Other property and equipment	20 years
Buildings	30 years

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The Company's cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

Goodwill and Intangible Assets

The Company has certain intangible assets resulting from business combinations and acquisitions that are recorded at cost. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives ranging from 3 to 5 years.

Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. First, pursuant to Accounting Standards Update ("ASU") No. 2011-08, *Testing Goodwill for Impairment*, the Company performs a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company then estimates the fair value of all assets and liabilities of that reporting unit, including the implied fair value of goodwill, through either estimated discounted future cash flows or market-based methodologies. If the carrying value of goodwill exceeds the implied fair value, the Company recognizes an impairment charge equal to the difference. The Company's reporting units are determined in accordance with the provisions of Accounting Standards Codification ("ASC") Topic 350, *Intangibles - Goodwill and Other*. The Company's reporting units that have goodwill are Victoria's Secret Stores, Victoria's Secret Direct and Bath & Body Works.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. First, pursuant to ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, the Company performs a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If the Company determines that it is more likely than not that the fair value of the asset is less than its carrying amount, the Company estimates the fair value, usually determined by the estimated discounted future cash flows of the asset, compares that value with its carrying amount and records an impairment charge, if any.

If future economic conditions are different than those projected by management, future impairment charges may be required.

Leases and Leasehold Improvements

The Company has leases that contain predetermined fixed escalations of minimum rentals and/or rent abatements subsequent to taking possession of the leased property. The Company recognizes the related rent expense on a straight-line basis commencing upon the store possession date. The Company records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits. The Company’s liability for predetermined fixed escalations of minimum rentals and/or rent abatements totaled $131 million as of February 1, 2014 and $120 million as of February 2, 2013. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company receives construction allowances from landlords related to its retail stores. These allowances are generally comprised of cash amounts received by the Company from its landlords as part of the negotiated lease terms. The Company records a receivable and a landlord allowance at the lease commencement date (date of initial possession of the store). The landlord allowance is amortized on a straight-line basis as a reduction of rent expense over the term of the lease (including the pre-opening build-out period) and the receivable is reduced as amounts are received from the landlord. The Company’s unamortized portion of landlord allowances, which totaled $181 million as of February 1, 2014 and $178 million as of February 2, 2013, is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company also has leasehold improvements which are amortized over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

Foreign Currency Translation

The functional currency of the Company’s foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The Company’s resulting translation adjustments are recorded as a component of Comprehensive Income in the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Total Equity (Deficit).

Derivative Financial Instruments

The Company uses derivative instruments designated as cash flow hedges or fair value hedges and non-designated derivative instruments to manage exposure to foreign currency exchange rates and interest rates. The Company does not use derivative financial instruments for trading purposes. All derivative financial instruments are recorded on the Consolidated Balance Sheets at fair value.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

For derivative instruments that are designated and qualify as fair value hedges, the changes in the fair value of the derivative instrument have an equal and offsetting impact to the carrying value of the liability on the balance sheet.

For derivative instruments that are not designated as hedging instruments, the gain or loss on the derivative instrument is recognized in current earnings.

Fair Value

The authoritative guidance included in ASC Topic 820, *Fair Value Measurements and Disclosure,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This authoritative guidance further establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted market prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted market prices included in Level 1, such as quoted prices of similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company estimates the fair value of financial instruments, property and equipment and goodwill and intangible assets in accordance with the provisions of ASC Topic 820.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the Company's Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized. U.S. deferred income taxes are not provided on undistributed income of foreign subsidiaries where such earnings are considered to be permanently reinvested for the foreseeable future.

In determining the Company's provision for income taxes, it uses an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. The Company adjusts the annual effective income tax rate as additional information on outcomes or events becomes available. The Company's effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

The Company's income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. The Company includes its tax contingencies accrual, including accrued penalties and interest, in Other Long-term Liabilities on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the tax contingencies accrual, including accrued penalties and interest, are included in Provision for Income Taxes on the Consolidated Statements of Income.

Self Insurance

The Company is self-insured for medical, workers' compensation, property, general liability and automobile liability up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates.

Noncontrolling Interest

Noncontrolling interest represents the portion of equity interests of consolidated affiliates not owned by the Company.

Share-based Compensation

The Company recognizes all share-based payments to employees and directors as compensation cost over the service period based on their estimated fair value on the date of grant.

Compensation cost is recognized over the service period for the fair value of awards that actually vest. Compensation expense for awards without a performance condition is recognized, net of estimated forfeitures, using a single award approach (each award is valued as one grant, irrespective of the number of vesting tranches). Compensation expense for awards with a performance condition is recognized, net of estimated forfeitures, using a multiple award approach (each vesting tranche is valued as one grant).

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise, which for direct response revenues reflects an estimate of shipments that have not yet been received by the customer based on shipping terms and estimated delivery times. The Company's shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company also provides a reserve for projected merchandise returns based on prior experience. Net Sales exclude sales tax collected from customers.

The Company's brands sell gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognizes income from gift cards when they are redeemed by the customer. In addition, the Company recognizes income on unredeemed gift cards when it can determine that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The Company determines the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in the Consolidated Statements of Income.

The Company also recognizes revenues associated with franchise and wholesale arrangements. Revenue recognized under franchise arrangements generally consists of royalties earned upon sale of merchandise by franchisees to third-party customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the customer.

The Company recognizes revenue associated with merchandise sourcing and production services provided to third parties. Revenue is recognized at the time the title passes to the customer.

Costs of Goods Sold, Buying and Occupancy

The Company's costs of goods sold include merchandise costs, net of discounts and allowances, freight and inventory shrinkage. The Company's buying and occupancy expenses primarily include payroll, benefit costs and operating expenses for its buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, fulfillment expenses and depreciation for the Company's stores, warehouse facilities and equipment.

General, Administrative and Store Operating Expenses

The Company's general, administrative and store operating expenses primarily include payroll and benefit costs for its store-selling and administrative departments (including corporate functions), marketing, advertising and other operating expenses not specifically categorized elsewhere in the Consolidated Statements of Income.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates and the Company revises its estimates and assumptions as new information becomes available.

2. Earnings Per Share

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

The following table provides shares utilized for the calculation of basic and diluted earnings per share for 2013, 2012 and 2011:

	2013	2012	2011
		(in millions)	
Weighted-average Common Shares:			
Issued Shares	306	302	323
Treasury Shares	(16)	(12)	(19)
Basic Shares	290	290	304
Effect of Dilutive Options and Restricted Stock	6	7	10
Diluted Shares	296	297	314
Anti-dilutive Options and Awards (a)	1	1	1

(a) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

3. Divestitures

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners for pre-tax cash proceeds of $124 million. The Company recorded a pre-tax gain on the divestiture of $111 million in the fourth quarter of 2011. For additional information, see Note 8, "Equity Investments and Other."

Express

During the period between April 2011 through July 2011, the Company completed the divestiture of its remaining 14% ownership in Express through the following transactions:

- In April 2011, the Company sold 5.5 million shares of its common stock in Express for $99 million, reducing its ownership interest to 8%. As a result, the Company recognized a pre-tax gain of $86 million.
- In July 2011, the Company contributed its remaining 7.2 million shares of common stock to The Limited Brands Foundation, reducing its ownership interest to 0%. At the time of the charitable contribution, the stock was worth $163 million. As a result of the contribution, the Company recognized a non-taxable gain of $147 million.

For additional information, see Note 8, "Equity Investments and Other."

4. Restructuring Activities

During the fourth quarter of 2011, the Company initiated a restructuring program designed to resize a portion of La Senza's store fleet and relocate its home office from Montreal, Canada to Columbus, Ohio. The Company recognized a pre-tax charge consisting of contract termination costs, severance and other costs of $24 million, including non-cash charges of $5 million, in the fourth quarter of 2011. The restructuring charges of $17 million and $7 million are included in Cost of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, on the 2011 Consolidated Statement of Income. In 2012, the Company made cash payments of $11 million and decreased the estimate of expected contract termination costs by $3 million related to this restructuring program. This $3 million change in estimate was included in Cost of Goods Sold, Buying and Occupancy on the 2012 Consolidated Statements of Income. During 2013, the Company made cash payments of $3 million and decreased the estimate of expected contract termination costs by an additional $1 million related to this restructuring program. The remaining balance of $1 million is included in Other Long-term Liabilities on the February 1, 2014 Consolidated Balance Sheet.

During the second quarter of 2012, the Company initiated a second restructuring program designed to further resize the La Senza store fleet. In 2012, the Company recognized a pre-tax charge of $17 million, including non-cash charges of $6 million. Restructuring charges of $16 million and $1 million are included in Cost of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, on the 2012 Consolidated Statement of Income. In 2012, the Company made cash payments of $5 million related to this restructuring program. During 2013, the Company made cash payments of $3 million and decreased the estimate of expected contract termination costs by $1 million related to this restructuring program. Of the remaining balance of $2 million, $1 million is included in Accrued Expenses and Other and $1 million is included in Other Long-term Liabilities on the February 1, 2014 Consolidated Balance Sheet.

5. Inventories

The following table provides details of inventories as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Finished Goods Merchandise	$ 1,073	$ 916
Raw Materials and Merchandise Components	92	88
Total Inventories	$ 1,165	$ 1,004

6. Property and Equipment, Net

The following table provides details of property and equipment, net as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Land	$ 58	$ 60
Buildings and Improvements	408	402
Furniture, Fixtures, Software and Equipment	2,984	2,715
Leasehold Improvements	1,534	1,359
Construction in Progress	117	186
Total	5,101	4,722
Accumulated Depreciation and Amortization	(3,056)	(2,919)
Property and Equipment, Net	$ 2,045	$ 1,803

Depreciation expense was $406 million in 2013, $386 million in 2012 and $387 million in 2011.

In the fourth quarter of 2012, the Company concluded that the continued negative operating results of the Henri Bendel business was an indicator of potential impairment for the Henri Bendel long-lived store assets. The Company calculated the impairment by comparing the estimated discounted cash flows at each store to its respective carrying value and recognized an impairment charge of $27 million. This impairment charge is included in Cost of Goods Sold, Buying and Occupancy on the 2012 Consolidated Statement of Income. Based on the evaluation performed in the fourth quarter of 2013, the Company concluded that no impairment charge was necessary in 2013. The carrying value of the Henri Bendel long-lived stores assets was $5 million and $6 million as of February 1, 2014 and February 2, 2013, respectively.

7. Goodwill, Trade Names and Other Intangible Assets, Net

Goodwill

The following table provides the rollforward of goodwill for the fiscal years ended February 1, 2014 and February 2, 2013:

	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
Balance as of January 28, 2012	$ 690	$ 628	$ 12 (a)	$ 1,330
Impairment	—	—	(12)	(12)
Balance as of February 2, 2013	690	628	—	1,318
Current period changes	—	—	—	—
Balance as of February 1, 2014	$ 690	$ 628	$ —	$ 1,318

(a) Balance is presented net of a $189 million and $119 million La Senza impairment recognized in the fourth quarter of 2008 and the fourth quarter of 2011, respectively.

The Company tests for goodwill impairment at the reporting unit level. The Company's reporting units with goodwill balances at February 1, 2014 were Victoria's Secret Stores, Victoria's Secret Direct and Bath & Body Works. Goodwill associated with the La Senza reporting unit was fully impaired at February 2, 2013.

Intangible Assets—Indefinite Lives

Intangible assets with indefinite lives represent the Victoria's Secret and Bath & Body Works trade names which are included in Trade Names and Other Intangible Assets, Net on the Consolidated Balance Sheets. The following table provides additional detail regarding the composition of trade names as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Victoria's Secret	$ 246	$ 246
Bath & Body Works	165	165
Intangible Assets - Trade Names	$ 411	$ 411

Intangible Assets—Finite Lives

Intangible assets with finite lives represent certain trademarks and customer relationships. These assets totaled $1 million as of February 2, 2013 and were included in Trade Names and Other Intangible Assets, Net on the February 2, 2013 Consolidated Balance Sheets. These assets were fully amortized in 2013. Amortization expense was $1 million for 2013, $3 million for 2012 and $4 million for 2011.

Impairment Charges

La Senza

In conjunction with the January 2007 acquisition of La Senza, the Company recognized goodwill, intangible assets with indefinite lives and intangible assets with finite lives. These assets were included in the La Senza reporting unit which is included in Other in the Company's segment reporting.

2008

In the fourth quarter of 2008, the Company completed its annual impairment testing. During the latter half of 2008, La Senza's operating results were negatively impacted by the global economic downturn and the resulting impact on the Canadian retail environment as well as other factors. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of $189 million. Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for indefinite-lived trade names. Based on its evaluation using a relief from royalty and other discounted cash flow methodologies, the Company concluded that certain La Senza trade name assets were impaired. Accordingly, the Company recorded an impairment charge of $25 million to reduce the carrying value of these assets to their estimated fair values. The Company also recognized a $1 million impairment charge related to a finite lived trade name asset.

2009

In the fourth quarter of 2009, the Company made the decision to exit the La Senza Girl business and recorded an impairment charge of $3 million to write-off the La Senza Girl trade name and other minor trade names.

2011

In the fourth quarter of 2011, the Company completed its annual impairment testing. During 2011, La Senza's operating results failed to meet the Company's expectations, as both comparable store sales and gross profit were below the Company's beginning of year expectations especially in the critical fourth quarter holiday period. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of $119 million. The goodwill impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income.

Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for its indefinite-lived trade name. Based on its evaluation using relief from royalty and other discounted cash flow methodologies, the Company concluded that the La Senza trade name asset was impaired. Accordingly, the Company recorded an impairment charge of $112 million to reduce the carrying value of the trade name asset to its estimated fair value. The Company also recognized a $1 million impairment charge related to a lease-related intangible asset. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income.

2012

In the fourth quarter of 2012, the Company completed its annual impairment testing. During 2012, La Senza's operating results again failed to meet the Company's expectations, as both comparable store sales and gross profit were below our beginning of year expectations. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of $12 million which fully impaired La Senza's remaining goodwill. The goodwill impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2012 Consolidated Statement of Income.

Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for its indefinite-lived trade name. Based on its evaluation using relief from royalty and other discounted cash flow methodologies, the Company concluded that the La Senza trade name asset was impaired. Accordingly, the Company recorded an impairment charge of $75 million to reduce the carrying value of the trade name asset to zero. The Company also recognized a $6 million impairment charge related to certain finite-lived customer relationship intangible assets. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2012 Consolidated Statement of Income.

8. Equity Investments and Other

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners for pre-tax cash proceeds of $124 million. The Company's remaining ownership interest is accounted for under the equity method of accounting. The proceeds are included in Proceeds from Divestiture of Third-party Apparel Sourcing Business within the Investing Activities section on the 2011 Consolidated Statement of Cash Flows. The Company recorded a pre-tax gain on the divestiture of $111 million in the fourth quarter of 2011 which is included in Gain on Divestiture of Third-party Apparel Sourcing Business on the 2011 Consolidated Statement of Income. In the first quarter of 2012, the Company received additional pre-tax cash proceeds of $11 million as settlement of a working capital adjustment. The proceeds are included in Other Investing Activities within the Investing Activities section of the 2012 Consolidated Statement of Cash Flows.

In conjunction with the transaction, the Company entered into transition services agreements whereby the Company is providing support in various operational areas including logistics, technology and finance. The terms of these transition services arrangements varied and ranged from two months to three years with the last one expiring in October 2014.

In the fourth quarter of 2012, the Company received a $28 million dividend from the third-party apparel sourcing business. This reduced the Company's carrying value in the investment. Of this dividend, $22 million is included in Return of Capital from Third-party Apparel Sourcing Business Investment within the Investing Activities section of the 2012 Consolidated Statement of Cash Flows and $6 million is included in Other Assets and Liabilities within the Operating Activities section of the 2012 Consolidated Statement of Cash Flows.

In 2013, the Company received $64 million in dividends from the third-party apparel sourcing business. These dividends reduced the Company's carrying value in the investment. Of these dividends, $46 million is included in Return of Capital from Third-party Apparel Sourcing Business Investment within the Investing Activities section of the 2013 Consolidated Statement of Cash Flows and $18 million is included in Other Assets and Liabilities within the Operating Activities section of the 2013 Consolidated Statement of Cash Flows.

The Company's carrying value for this investment was $3 million as of February 1, 2014 and $52 million as of February 2, 2013 and is included in Other Assets on the Consolidated Balance Sheets. The Company's share of net income (loss) from this investment is included in Other Income on the Consolidated Statements of Income.

Express

In July 2007, the Company completed the divestiture of 75% of its ownership interest in Express.

In 2010, Express completed an IPO and secondary offering and the Company's ownership interest was diluted from 25% to 14%. As a result, the Company changed its accounting for its investment in Express from the equity method to the cost method of accounting.

On April 12, 2011, the Company sold 5.5 million shares of its common stock in Express for $99 million. As a result, the Company's ownership interest was reduced from 14% to 8% and the Company recognized a pre-tax gain of $86 million, which is included in Other Income on the 2011 Consolidated Statement of Income. On April 21, 2011, the Company formally renounced its rights to its Express Board of Directors' seat. As a result, the Company commenced accounting for its investment in Express using the available-for-sale method of accounting in the first quarter of 2011.

In July 2011, the Company contributed all of its remaining 7.2 million shares of Express, valued at $163 million, to The Limited Brands Foundation. As a result, the Company recognized contribution expense in 2011 of $163 million which is included in General, Administrative and Store Operating Expenses on the 2011 Consolidated Statement of Income. The Company also recognized a non-taxable gain of $147 million representing the difference between the market value of the Express shares on the date of the contribution and the Company's net carrying value. The gain is included in Other Income on the 2011 Consolidated Statement of Income.

The Company maintains agreements with Express whereby the Company continues to provide logistics services and lease office space. The Company's third-party apparel sourcing business, which the Company divested in the fourth quarter of 2011, provided merchandise sourcing services to Express. The Company recognized merchandise sourcing revenue from Express of $325 million in 2011.

Limited Stores

In August 2007, the Company completed the divestiture of 75% of its ownership interest in Limited Stores. In June 2010, the Company completed the divestiture of its remaining 25% ownership interest in Limited Stores and resigned its seats on Limited Stores' Board of Directors.

The Company maintains agreements with Limited Stores whereby the Company continues to provide logistics services. The Company's third-party apparel sourcing business, which the Company divested in the fourth quarter of 2011, provided merchandise sourcing services to Limited Stores. The Company recognized merchandise sourcing revenue from Limited Stores of $83 million in 2011.

Easton Investment

The Company has land and other investments in Easton, a 1,300 acre planned community in Columbus, Ohio that integrates office, hotel, retail, residential and recreational space. These investments, at cost, totaled $105 million as of February 1, 2014 and $75 million as of February 2, 2013 and are recorded in Other Assets on the Consolidated Balance Sheets. In the third quarter of 2012, the Company received $13 million in cash distributions from certain of the Company's investments in Easton which are included in Return of Capital from Easton Investments within the Investing Activities section on the 2012 Consolidated Statement of Cash Flow. The Company recognized a pre-tax gain of $13 million which is included in Other Income on the 2012 Consolidated Statements of Income.

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

9. Accrued Expenses and Other

The following table provides additional information about the composition of accrued expenses and other as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Deferred Revenue, Principally from Gift Card Sales	$ 207	$ 202
Compensation, Payroll Taxes and Benefits	173	180
Interest	86	79
Taxes, Other Than Income	63	84
Accrued Claims on Self-insured Activities	37	37
Returns Reserve	29	28
Rent	24	26
Other	168	171
Total Accrued Expenses and Other	$ 787	$ 807

10. Income Taxes

The following table provides the components of the Company's provision for income taxes for 2013, 2012 and 2011:

	2013	2012	2011
		(in millions)	
Current:			
U.S. Federal	$ 407	$ 432	$ 357
U.S. State	90	67	46
Non-U.S.	28	18	11
Total	525	517	414
Deferred:			
U.S. Federal	11	14	6
U.S. State	3	4	1
Non-U.S.	4	(7)	(44)
Total	18	11	(37)
Provision for Income Taxes	$ 543	$ 528	$ 377

The Non-U.S. component of pre-tax income, arising principally from overseas operations, was income of $131 million for 2013, income of $1 million for 2012 and a loss of $37 million for 2011. The 2012 income included the impact of the $93 million impairment of goodwill and other intangible assets at La Senza. The 2011 loss included the impact of the $232 million impairment of goodwill and other intangible assets at La Senza as well as the Non-U.S. portion of the gain on the divestiture of the third-party apparel sourcing business of $105 million.

The 2011 Non-U.S. deferred benefit of $44 million is primarily the result of the reversal of a deferred tax liability associated with the La Senza trade name established upon the acquisition of La Senza.

The Company's income taxes payable has been reduced by the excess tax benefits from employee stock plan awards. For stock options, the Company receives an excess income tax benefit calculated as the tax effect of the difference between the fair market value of the stock at the time of grant and exercise. For restricted stock, the Company receives an excess income tax benefit calculated as the tax effect of the difference between the fair market value of the stock at the time of grant and vesting. The Company had net excess tax benefits from equity awards of $36 million, $116 million and $48 million in 2013, 2012 and 2011, respectively, which were reflected as increases to equity.

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate for 2013, 2012 and 2011:

	2013	2012	2011
Federal Income Tax Rate	35.0 %	35.0 %	35.0 %
State Income Taxes, Net of Federal Income Tax Effect	3.8 %	4.0 %	4.0 %
Impact of Non-U.S. Operations	(1.4)%	1.1 %	(2.2)%
Express Charitable Contribution	— %	— %	(5.0)%
Non-deductible Impairment of Goodwill and Other Intangible Assets	— %	2.4 %	4.3 %
Non-U.S. Portion of the Divestiture of Third-party Apparel Sourcing Business	— %	— %	(3.0)%
Other Items, Net	0.1 %	(1.3)%	(2.4)%
Effective Tax Rate	37.5 %	41.2 %	30.7 %

Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of February 1, 2014 and February 2, 2013. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carryforwards at the end of the respective year.

	February 1, 2014			February 2, 2013		
	Assets	Liabilities	Total	Assets	Liabilities	Total
			(in millions)			
Leases	$ 46	$ —	$ 46	$ 43	$ —	$ 43
Non-qualified Retirement Plan	94	—	94	86	—	86
Property and Equipment	—	(219)	(219)	—	(190)	(190)
Goodwill	—	(15)	(15)	—	(15)	(15)
Trade Names and Other Intangibles	—	(139)	(139)	—	(138)	(138)
State Net Operating Loss Carryforwards	21	—	21	23	—	23
Non-U.S. Operating Loss Carryforwards	161	—	161	151	—	151
Valuation Allowance	(183)	—	(183)	(171)	—	(171)
Other, Net	71	—	71	67	—	67
Total Deferred Income Taxes	$ 210	$ (373)	$ (163)	$ 199	$ (343)	$ (144)

As of February 1, 2014, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2014 through 2033. The Company has analyzed the realization of the state net operating loss carryforwards on an individual state basis. For those states where the Company has determined that it is more likely than not that the state net operating loss carryforwards will not be realized, a valuation allowance has been provided for the deferred tax asset.

As of February 1, 2014, the Company had available for non-U.S. tax purposes net operating loss carryforwards which expire, if unused, in the years 2027 through 2033. The Company has determined that it is more likely than not that all of the net operating loss carryforwards will not be realized and a valuation allowance has been provided for the net deferred tax assets, including the net operating loss carryforwards, of the related tax loss entities.

As of February 1, 2014, accumulated undistributed earnings from non-U.S. subsidiaries are $113 million. Any unrecognized deferred income tax liability resulting from these foreign earnings is not expected to reverse in the foreseeable future; furthermore, the undistributed foreign earnings are permanently reinvested. If the Company elects to distribute these foreign earnings in the future, they could be subject to additional income taxes. Determination of the amount of any unrecognized deferred income tax liability on these undistributed foreign earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

Income tax payments were $468 million for 2013, $336 million for 2012 and $400 million for 2011.

Uncertain Tax Positions

The following table summarizes the activity related to the Company's unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2013, 2012 and 2011, without interest and penalties:

	2013	2012	2011
		(in millions)	
Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year	$ 185	$ 146	$ 147
Increases in Unrecognized Tax Benefits for Prior Years	39	13	4
Decreases in Unrecognized Tax Benefits for Prior Years	(54)	(19)	(33)
Increases in Unrecognized Tax Benefits as a Result of Current Year Activity	37	52	45
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	(34)	(1)	(9)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(6)	(6)	(8)
Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year	$ 167	$ 185	$ 146

Of the $167 million, $185 million and $146 million of total unrecognized tax benefits at February 1, 2014, February 2, 2013, and January 28, 2012, respectively, approximately $143 million, $160 million and $131 million, respectively, represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. These amounts are net of the offsetting tax effects from other tax jurisdictions.

Of the total unrecognized tax benefits, it is reasonably possible that $118 million could change in the next twelve months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in amounts which could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the period in which such matters are effectively settled.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. The Company recognized interest and penalties expense (benefit) of $4 million, $1 million and $(7) million in 2013, 2012, and 2011, respectively. The Company has accrued approximately $30 million and $26 million for the payment of interest and penalties as of February 1, 2014 and February 2, 2013, respectively. Accrued interest and penalties are included within Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company files U.S. federal income tax returns as well as income tax returns in various states and in non-U.S. jurisdictions. At the end of 2013, the Company was subject to examination by the IRS for 2010 through 2012. The Company is also subject to various U.S. state and local income tax examinations for the years 2004 to 2012. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2003 to 2012. In some situations, the Company determines that it does not have a filing requirement in a particular tax jurisdiction. Where no return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, additional years may be reviewed by the tax authority. The Company believes it has appropriately accounted for uncertainties related to this issue.

11. Long-term Debt

The following table provides the Company's long-term debt balance as of February 1, 2014 and February 2, 2013:

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

(a) The balance as of February 1, 2014 includes a fair value interest rate hedge adjustment which increased the debt balance by $2 million.
(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $19 million as of February 1, 2014 and $22 million as of February 2, 2013.
(c) The principal balance outstanding was $213 million as of both February 1, 2014 and February 2, 2013. The balances include a fair value interest rate hedge adjustment which increased the debt balance by $3 million as of February 1, 2014 and $5 million as of February 2, 2013.

The following table provides principal payments due on long-term debt in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions)	
2014	$ 213
2015	—
2016	—
2017	700
2018	—
Thereafter	4,050

Cash paid for interest was $300 million in 2013, $276 million in 2012 and $225 million in 2011.

Issuance of Notes

In March 2011, the Company issued $1 billion of 6.625% notes due in April 2021 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2021 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries (such subsidiaries, the "Guarantors"). The proceeds from the issuance were $981 million, which were net of issuance costs of $19 million. These issuance costs are being amortized through the maturity date of April 2021 and are included within Other Assets on the Consolidated Balance Sheets.

In February 2012, the Company issued $1 billion of 5.625% notes due in February 2022 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2022 Notes are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were $985 million, which were net of issuance costs of $15 million. These issuance costs are being amortized through the maturity date of February 2022 and are included within Other Assets on the Consolidated Balance Sheets.

In October 2013, the Company issued $500 million of 5.625% notes due in October 2023 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2023 Notes are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were $495 million, which were net of issuance costs of $5 million. These issuance costs are being amortized through the maturity date of October 2023 and are included within Other Assets on the February 1, 2014 Consolidated Balance Sheet.

Revolving Facility

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

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

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

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

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

Letters of Credit

The Revolving Facility supports the Company’s letter of credit program. The Company had $8 million of outstanding letters of credit as of February 1, 2014 that reduce its remaining availability under the Revolving Facility.

Fair Value Interest Rate Swap Arrangements

For information related to the Company’s fair value interest rate swap arrangements, see Note 12, “Derivative Instruments.”

12. Derivative Instruments

Foreign Exchange Risk

In January 2007, the Company entered into a series of cross-currency swaps related to approximately CAD$470 million of Canadian dollar denominated intercompany loans. These cross-currency swaps mitigate the exposure to fluctuations in the U.S. dollar-Canadian dollar exchange rate related to the Company's Canadian operations. The cross-currency swaps require the periodic exchange of fixed rate Canadian dollar interest payments for fixed rate U.S. dollar interest payments as well as exchange of Canadian dollar and U.S. dollar principal payments upon maturity. The cross-currency swaps mature between 2015 and 2018 at the same time as the related loans and are designated as cash flow hedges of foreign currency exchange risk. Changes in the U.S. dollar-Canadian dollar exchange rate and the related swap settlements result in reclassification of amounts from accumulated other comprehensive income to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as foreign exchange cash flow hedges as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Other Long-term Liabilities	$ 13	$ 59

The following table provides a summary of the pre-tax financial statement effect of the gains and losses on the Company's derivative instruments designated as foreign exchange cash flow hedges for 2013 and 2012:

	Location	2013	2012
		(in millions)	
Gain (Loss) Recognized in Other Comprehensive Income (Loss)	Other Comprehensive Income (Loss)	$ 46	$ 1
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income into Other Income (a)	Other Income	(50)	5

(a) Represents reclassification of amounts from accumulated other comprehensive income to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans. No ineffectiveness was associated with these foreign exchange cash flow hedges.

Interest Rate Risk

Interest Rate Designated Fair Value Hedges

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

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

In August 2011, the Company terminated interest rate designated fair value hedges related to the 2014 Notes with a notional amount of $213 million. In settlement of these hedges, the Company received $9 million.

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

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

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as interest rate fair value hedges as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Other Assets	$ 5	$ —

13. Fair Value Measurements

The following table provides a summary of the carrying value and fair value of long-term debt as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Carrying Value	$ 4,976	$ 4,477
Fair Value (a)	5,333	5,023

(a) The estimated fair value of the Company's publicly traded debt is based on reported transaction prices which are considered Level 2 inputs in accordance with ASC Topic 820, *Fair Value Measurements and Disclosure*. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The following table provides a summary of assets and liabilities measured in the consolidated financial statements at fair value on a recurring basis as of February 1, 2014 and February 2, 2013:

	Level 1	Level 2	Level 3	Total
		(in millions)		
As of February 1, 2014				
Assets:				
Cash and Cash Equivalents	$ 1,519	$ —	$ —	$ 1,519
Interest Rate Designated Fair Value Hedges	—	5	—	5
Liabilities:				
Cross-currency Cash Flow Hedges	—	13	—	13
Lease Guarantees	—	—	1	1
As of February 2, 2013				
Assets:				
Cash and Cash Equivalents	$ 773	$ —	$ —	$ 773
Liabilities:				
Cross-currency Cash Flow Hedges	—	59	—	59
Lease Guarantees	—	—	2	2

The Company's Level 2 fair value measurements are measured using market approach valuation techniques. The primary inputs to these techniques include benchmark interest rates and foreign currency exchange rates, as applicable to the underlying instruments.

The Company's Level 3 fair value measurements are measured using income approach valuation techniques. The primary inputs to these techniques include the guaranteed lease payments, discount rates, as well as the Company's assessment of the risk of default on guaranteed leases.

Management believes that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

The following table provides a reconciliation of the Company's lease guarantees measured at fair value on a recurring basis using unobservable inputs (Level 3) for 2013 and 2012:

	2013	2012
	(in millions)	
Beginning Balance	$ 2	$ 4
Change in Estimated Fair Value Reported in Earnings	(1)	(2)
Ending Balance	$ 1	$ 2

The Company's lease guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of certain businesses. The fair value of these lease guarantees is impacted by economic conditions, probability of rent obligation payments, period of obligation as well as the discount rate utilized. For additional information, see Note 16, "Commitments and Contingencies."

14. Comprehensive Income

Comprehensive Income consists of gains and losses on derivative instruments and foreign currency translation adjustments. The cumulative gains and losses on these items are included in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets and Consolidated Statements of Shareholders' Equity (Deficit).

The following table provides the rollforward of accumulated other comprehensive income for 2013:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of February 2, 2013	$ (10)	$ 14	$ 4
Other Comprehensive Income Before Reclassifications	40	46	86
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(50)	(50)
Current-period Other Comprehensive Income (Loss)	40	(4)	36
Balance as of February 1, 2014	30	10	40

The following table provides the rollforward of accumulated other comprehensive income for 2012:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of January 28, 2012	$ (8)	$ 8	$ —
Current-period Other Comprehensive Income (Loss)	(2)	6	4
Balance as of February 2, 2013	(10)	14	4

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

The following table provides a summary of the reclassification adjustments out of accumulated other comprehensive income for 2013:

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Location on Consolidated Statements of Income
Cash Flow Hedges	$ (50)	Other Income
	—	Provision for Income Taxes
	(50)	Net Income

15. Leases

The Company is committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of the Company's leases consist of store leases generally with an initial term of ten years. Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering certain operating costs such as common area maintenance, utilities, insurance and taxes. These additional payments are excluded from the table below.

The following table provides rent expense for 2013, 2012 and 2011:

	2013	2012	2011
		(in millions)	
Store Rent:			
Fixed Minimum	$ 482	$ 453	$ 437
Contingent	59	60	50
Total Store Rent	541	513	487
Office, Equipment and Other	72	67	62
Gross Rent Expense	613	580	549
Sublease Rental Income	(2)	(2)	(3)
Total Rent Expense	$ 611	$ 578	$ 546

The following table provides the Company's minimum rent commitments under noncancelable operating leases in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions) (a)	
2014	$ 559
2015	526
2016	478
2017	418
2018	338
Thereafter	1,371

(a) Excludes additional payments covering taxes, common area costs and certain other expenses generally required by store lease terms.

The Company's future sublease income under noncancelable subleases was $7 million as of February 1, 2014, which included $2 million of rent commitments related to disposed businesses under master lease arrangements.

16. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

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

Guarantees

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $43 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick’s Sporting Goods and New York & Company under the current terms of noncancelable leases expiring at various dates through 2018. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, the Company’s guarantee may remain in effect if the term of a lease is extended.

The Company’s guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled $22 million as of February 1, 2014 and $36 million as of February 2, 2013. The estimated fair value of these guarantee obligations was $1 million as of February 1, 2014 and $2 million as of February 2, 2013, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company’s guarantees related to Abercrombie & Fitch and Dick’s Sporting Goods are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. The Company had no liability recorded with respect to any of the guarantee obligations as it concluded that payments under these guarantees were not probable as of February 1, 2014 and February 2, 2013.

17. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan for substantially all of its associates within the U.S. Participation in the tax-qualified plan is available to associates who meet certain age and service requirements. Participation in the non-qualified plan is available to associates who meet certain age, service, job level and compensation requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates’ eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was $56 million for 2013, $55 million for 2012 and $51 million for 2011.

The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. The plan permits participating associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates’ eligible compensation and years of service. The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match. Associates’ accounts are credited with interest using a rate determined by the Company. Associate contributions and the related interest vest immediately. Company contributions, along with related interest, are subject to vesting based on years of service. Associates may elect in-service distributions for the unmatched additional deferred compensation component only. The remaining vested portion of associates’ accounts in the plan will be distributed upon termination of employment in either a lump sum or in annual installments over a specified period of up to 10 years.

The following table provides the Company’s annual activity for this plan and year-end liability, included in Other Long-term Liabilities on the Consolidated Balance Sheets, as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Balance at Beginning of Year	$ 228	$ 214
Contributions:		
Associate	13	12
Company	11	12
Interest	11	12
Distributions	(20)	(22)
Balance at End of Year	$ 243	$ 228

Total expense recognized related to the non-qualified plan was $22 million for 2013, $24 million for 2012 and $26 million for 2011.

18. Shareholders' Equity (Deficit)

Common Stock Repurchases

Under the authority of the Company's Board of Directors, the Company repurchased shares of its common stock under the following repurchase programs during the fiscal years 2013, 2012 and 2011:

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

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

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

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

NA Not applicable

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

Subsequent to February 1, 2014, the Company repurchased an additional 0.3 million shares of common stock for $15 million under the November 2012 repurchase program.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during the fiscal years 2013, 2012 and 2011:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2013				
Fourth Quarter	$ 0.30	$ —	$ 0.30	$ 88
Third Quarter	0.30	—	0.30	87
Second Quarter	0.30	—	0.30	87
First Quarter	0.30	—	0.30	87
2013 Total	$ 1.20	$ —	$ 1.20	$ 349
2012				
Fourth Quarter	$ 0.25	$ 3.00	$ 3.25	$ 942
Third Quarter	0.25	1.00	1.25	361
Second Quarter	0.25	—	0.25	73
First Quarter	0.25	—	0.25	73
2012 Total	$ 1.00	$ 4.00	$ 5.00	$ 1,449
2011				
Fourth Quarter	$ 0.20	$ 2.00	$ 2.20	$ 653
Third Quarter	0.20	—	0.20	60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	$ 0.80	$ 3.00	$ 3.80	$ 1,144

Subsequent to February 1, 2014, the Board of Directors declared an increase in the first quarter 2014 ordinary dividend from $0.30 to $0.34 per share and a special dividend of $1 per share. Both dividends, totaling $390 million, were paid on March 7, 2014 to shareholders of record at the close of business on February 21, 2014.

Treasury Stock Retirement

In December 2011, the Company retired 39 million shares of its treasury stock. The retirement resulted in a reduction of $1.341 billion in Treasury Stock, $19 million in the par value of Common Stock, $286 million in Paid-in Capital and $1.036 billion in Retained Earnings.

19. Share-based Compensation

Plan Summary

In 2011, the Company's shareholders approved the 2011 Stock Option and Performance Incentive Plan. The plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. The Company grants stock options at a price equal to the fair market value of the stock on the date of grant. Stock options have a maximum term of ten years. Stock options generally vest ratably over 3 to 5 years. Restricted stock generally vests (the restrictions lapse) at the end of a three year period or on a graded basis over a five year period.

Under the Company’s plan, approximately 143 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. Approximately 14 million options and shares were available for grant as of February 1, 2014.

From time to time the Company’s Board of Directors will declare special dividends. For additional information, see Note 18, "Shareholders' Equity." In accordance with the anti-dilutive provisions of the stock plan, in these circumstances the Company adjusts both the exercise price and the number of share-based awards outstanding as of the record date of the special dividends. The aggregate fair value, the aggregate intrinsic value and the ratio of the exercise price to the market price are approximately equal immediately before and after the adjustments. Therefore, no compensation expense is recognized.

Stock Options

The following table provides the Company's stock option activity for the fiscal year ended February 1, 2014:

	Number of Shares	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Outstanding as of February 2, 2013	7,035	$ 23.16		
Granted	1,286	45.38		
Exercised	(1,928)	17.07		
Cancelled	(189)	40.36		
Outstanding as of February 1, 2014	6,204	$ 29.14	6.32	$ 144,078
Vested and Expected to Vest as of February 1, 2014 (a)	6,004	28.67	6.24	142,246
Options Exercisable as of February 1, 2014	3,232	18.23	4.39	110,323

(a) The number of options expected to vest includes an estimate of expected forfeitures.

Intrinsic value for stock options is the difference between the current market value of the Company's stock and the option strike price. The total intrinsic value of options exercised was $69 million for 2013, $133 million for 2012 and $100 million for 2011.

The total fair value at grant date of option awards vested was $10 million for 2013, $10 million for 2012 and $8 million for 2011.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was $19 million as of February 1, 2014. This cost is expected to be recognized over a weighted-average period of 2.7 years.

The weighted-average estimated fair value of stock options granted was $9.71 per share for 2013, $13.89 per share for 2012 and $9.35 per share for 2011.

Cash received from stock options exercised was $32 million for 2013, $53 million for 2012 and $75 million for 2011. Tax benefits realized from tax deductions associated with stock options exercised were $14 million for 2013, $42 million for 2012 and $34 million for 2011.

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

The following table contains the weighted-average assumptions used during 2013, 2012 and 2011:

	2013	2012	2011
Expected Volatility	35%	47%	48%
Risk-free Interest Rate	0.8%	1.0%	1.9%
Dividend Yield	3.4%	2.7%	4.1%
Expected Life (in years)	4.7	4.8	5.0

The majority of the Company's stock-based compensation awards are granted on an annual basis in the first quarter of each year. The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts in relation to the stock price at the grant date. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

Restricted Stock

The following table provides the Company's restricted stock activity for the fiscal year ended February 1, 2014:

	Number of Shares	Weighted Average Grant Date Fair Value
	(in thousands)	
Unvested as of February 2, 2013	8,094	$ 28.13
Granted	2,004	42.56
Vested	(2,276)	17.79
Cancelled	(427)	35.31
Unvested as of February 1, 2014	7,395	34.82

The Company's total intrinsic value of restricted stock vested was $106 million for 2013, $257 million for 2012 and $83 million for 2011.

The Company's total fair value at grant date of awards vested was $40 million for 2013, $37 million for 2012 and $32 million for 2011. Fair value of restricted stock awards is based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

As of February 1, 2014, there was $109 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.5 years.

Tax benefits realized from tax deductions associated with restricted stock vested were $40 million for 2013, $90 million for 2012 and $31 million for 2011.

Income Statement Impact

The following table provides share-based compensation expense included in the Consolidated Statements of Income for 2013, 2012 and 2011:

	2013	2012	2011
		(in millions)	
Costs of Goods Sold, Buying and Occupancy	$ 22	$ 19	$ 14
General, Administrative and Store Operating Expenses	63	54	37
Total Share-based Compensation Expense	$ 85	$ 73	$ 51

Share-based compensation expense is based on awards that are ultimately expected to vest. The Company estimates forfeitures at the time of grant and adjusts, if necessary, in subsequent periods based on historical experience and expected future termination rates.

The tax benefit associated with recognized share-based compensation expense was $29 million for 2013, $25 million for 2012 and $17 million for 2011.

20. Segment Information

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

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

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

Other consists of the following:

- International retail, franchise, license and wholesale operations, which include the company-owned La Senza and Bath & Body Works stores in Canada and Victoria's Secret stores in Canada and the United Kingdom;
- Mast Global, a merchandise sourcing and production function serving the Company and its international partners;
- Henri Bendel, operator of 29 specialty stores, which feature accessories and personal care products; and
- Corporate functions including non-core real estate, equity investments and other governance functions such as treasury and tax.

The following table provides the Company's segment information as of and for the fiscal years ended February 1, 2014, February 2, 2013 and January 28, 2012:

	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
February 1, 2014				
Net Sales	$ 6,681	$ 2,932	$ 1,160	$ 10,773
Depreciation and Amortization	168	60	140	368
Operating Income (Loss)	1,132	618	(7)	1,743
Total Assets	2,681	1,297	3,220	7,198
Capital Expenditures	388	73	230	691
February 2, 2013				
Net Sales	$ 6,574	$ 2,902	$ 983	$ 10,459
Depreciation and Amortization	148	53	153	354
Operating Income (Loss) (a)	1,188	604	(219)	1,573
Total Assets	2,428	1,286	2,305	6,019
Capital Expenditures	268	71	249	588
January 28, 2012				
Net Sales	$ 6,121	$ 2,674	$ 1,569	$ 10,364
Depreciation and Amortization	142	52	162	356
Operating Income (Loss) (a)	1,081	513	(356)	1,238
Total Assets	2,346	1,273	2,489	6,108
Capital Expenditures	161	60	205	426

(a) Operating Loss for the Other segment includes the effect of the following items:
  (i) In 2012, a $93 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $27 million impairment charge related to long-lived store assets for our Henri Bendel business; and $14 million of expense associated with the store closure initiative at La Senza.
  (ii) In 2011, a $232 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $111 million gain related to the divestiture of 51% of our third-party apparel sourcing business; $163 million of expense related to the charitable contribution of our remaining shares of Express to The Limited Brands Foundation; and $24 million of restructuring expenses at La Senza.

In the fourth quarter of 2011, the Company divested 51% of our third-party apparel sourcing business, which was included in Other in the table above. For additional information, see Note 8, "Equity Investments and Other."

The Company's international sales, consisting of La Senza, Victoria's Secret Canada, Bath & Body Works Canada and Victoria's Secret U.K. retail sales; non-U.S. franchise, license and wholesale operations; and direct sales shipped internationally, totaled $1.212 billion in 2013, $1.060 billion in 2012 and $943 million in 2011. The Company's internationally based long-lived assets were $280 million as of February 1, 2014 and $220 million as of February 2, 2013.

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

21. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2013:

	Fiscal Quarter Ended			
	May 4, 2013	August 3, 2013	November 2, 2013	February 1, 2014
	(in millions except per share data)			
Net Sales	$ 2,268	$ 2,516	$ 2,171	$ 3,818
Gross Profit	941	989	857	1,642
Operating Income	311	358	211	863
Income Before Income Taxes	235	282	142	787
Net Income	143	178	92	490
Net Income Per Basic Share (a)	$ 0.49	$ 0.62	$ 0.32	$ 1.69
Net Income Per Diluted Share (a)	$ 0.48	$ 0.61	$ 0.31	$ 1.65

(a) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

The following table provides summarized quarterly financial data for 2012:

	Fiscal Quarter Ended			
	April 28, 2012	July 28, 2012 (b)	October 27, 2012 (c)	February 2, 2013 (d)(e)
	(in millions except per share data)			
Net Sales	$ 2,154	$ 2,399	$ 2,050	$ 3,856
Gross Profit	902	942	825	1,717
Operating Income	293	305	187	788
Income Before Income Taxes	213	229	128	711
Net Income	125	143	74	411
Net Income Per Basic Share (a)	$ 0.43	$ 0.50	$ 0.26	$ 1.43
Net Income Per Diluted Share (a)	$ 0.41	$ 0.49	$ 0.25	$ 1.39

(a) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

(b) Includes $4 million of expense associated with the store closure initiative at La Senza.

(c) Includes the effect of the following items:

i. A pre-tax gain of $13 million related to $13 million in cash distributions from certain of our investments in Easton; and

ii. A pre-tax expense of $10 million associated with the store closure initiative at La Senza.

(d) Includes the effect of the following items:

(i) A pre-tax charge of $93 million related to the impairment of La Senza goodwill and other intangible assets; and

(ii) A pre-tax charge of $27 million related to the impairment of Henri Bendel long-lived store assets.

(e) The Company utilizes the retail calendar for reporting. As such, the results for fiscal years 2013 and 2012 represent the 52-week period ended February 1, 2014 and 53-week period ended February 2, 2013, respectively. The 2013 fourth quarter consists of a thirteen week period versus a fourteen week period in 2012.

22. Subsequent Events

Subsequent to February 1, 2014, the Company repurchased an additional 0.3 million shares of common stock for $15 million under the November 2012 repurchase program. Additionally, the Company declared the first quarter ordinary dividend of $0.34 per share and a special dividend of $1 per share. The dividends totaled $390 million. For additional information, see Note 18, "Shareholders' Equity."

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

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

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

23. Supplemental Guarantor Financial Information

The Company’s 2019 Notes, 2020 Notes, 2021 Notes, 2022 Notes and 2023 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company’s 100% owned subsidiaries. The Company is a holding company and its most significant assets are the stock of its subsidiaries. The Guarantors represent: (a) substantially all of the sales of the Company’s domestic subsidiaries, (b) more than 90% of the assets owned by the Company’s domestic subsidiaries, other than real property, certain other assets and intercompany investments and balances, and (c) more than 95% of the accounts receivable and inventory directly owned by the Company’s domestic subsidiaries.

The following supplemental financial information sets forth for the Company and its guarantor and non-guarantor subsidiaries: the Condensed Consolidating Balance Sheets as of February 1, 2014 and February 2, 2013 and the Condensed Consolidating Statements of Income, Comprehensive Income and Cash Flows for the years ended February 1, 2014, February 2, 2013 and January 28, 2012.

L BRANDS, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

(in millions)

	February 1, 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 1,353	$ 166	$ —	$ 1,519
Accounts Receivable, Net	—	173	71	—	244
Inventories	—	966	199	—	1,165
Deferred Income Taxes	—	44	(16)	—	28
Other	—	105	89	—	194
Total Current Assets	—	2,641	509	—	3,150
Property and Equipment, Net	—	1,197	848	—	2,045
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,468	14,065	1,099	(19,632)	—
Other Assets	186	19	680	(611)	274
Total Assets	$ 4,654	$ 19,651	$ 3,136	$ (20,243)	$ 7,198
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ 3	$ 316	$ 280	$ —	$ 599
Accrued Expenses and Other	86	410	291	—	787
Current Portion of Long-term Debt	215	—	—	—	215
Income Taxes	(1)	176	50	—	225
Total Current Liabilities	303	902	621	—	1,826
Deferred Income Taxes	(4)	(27)	241	—	210
Long-term Debt	4,761	597	—	(597)	4,761
Other Long-term Liabilities	3	581	201	(15)	770
Total Equity (Deficit)	(409)	17,598	2,073	(19,631)	(369)
Total Liabilities and Equity (Deficit)	$ 4,654	$ 19,651	$ 3,136	$ (20,243)	$ 7,198

L BRANDS, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

(in millions)

	February 2, 2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 417	$ 356	$ —	$ 773
Accounts Receivable, Net	—	140	63	—	203
Inventories	—	847	157	—	1,004
Deferred Income Taxes	—	39	(10)	—	29
Other	2	117	77	—	196
Total Current Assets	2	1,560	643	—	2,205
Property and Equipment, Net	—	1,001	802	—	1,803
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	1	—	412
Net Investments in and Advances to/from Consolidated Affiliates	3,348	13,968	624	(17,940)	—
Other Assets	188	8	696	(611)	281
Total Assets	$ 3,538	$ 18,266	$ 2,766	$ (18,551)	$ 6,019
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ —	$ 291	$ 250	$ —	$ 541
Accrued Expenses and Other	78	425	304	—	807
Income Taxes	1	134	55	—	190
Total Current Liabilities	79	850	609	—	1,538
Deferred Income Taxes	(4)	(9)	213	—	200
Long-term Debt	4,477	597	—	(597)	4,477
Other Long-term Liabilities	4	625	204	(15)	818
Total Equity (Deficit)	(1,018)	16,203	1,740	(17,939)	(1,014)
Total Liabilities and Equity (Deficit)	$ 3,538	$ 18,266	$ 2,766	$ (18,551)	$ 6,019

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 9,878	$ 3,441	$ (2,546)	$ 10,773
Costs of Goods Sold, Buying and Occupancy	—	(6,022)	(2,754)	2,432	(6,344)
Gross Profit	—	3,856	687	(114)	4,429
General, Administrative and Store Operating Expenses	(5)	(2,369)	(428)	116	(2,686)
Operating Income (Loss)	(5)	1,487	259	2	1,743
Interest Expense	(314)	(28)	(11)	39	(314)
Other Income (Loss)	—	—	17	—	17
Income (Loss) Before Income Taxes	(319)	1,459	265	41	1,446
Provision (Benefit) for Income Taxes	—	305	238	—	543
Equity in Earnings, Net of Tax	1,222	179	450	(1,851)	—
Net Income (Loss)	$ 903	$ 1,333	$ 477	$ (1,810)	$ 903

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 903	$ 1,333	$ 477	$ (1,810)	$ 903
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	(50)	—	(50)
Foreign Currency Translation	—	—	40	—	40
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	46	—	46
Total Other Comprehensive Income (Loss), Net of Tax	—	—	36	—	36
Total Comprehensive Income	$ 903	$ 1,333	$ 513	$ (1,810)	$ 939

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2012				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 9,570	$ 2,954	$ (2,065)	$ 10,459
Costs of Goods Sold, Buying and Occupancy	—	(5,578)	(2,464)	1,969	(6,073)
Gross Profit	—	3,992	490	(96)	4,386
General, Administrative and Store Operating Expenses	(5)	(2,405)	(403)	93	(2,720)
Impairment of Goodwill and Other Intangible Assets	—	—	(93)	—	(93)
Operating Income (Loss)	(5)	1,587	(6)	(3)	1,573
Interest Expense	(316)	(22)	(10)	32	(316)
Other Income (Loss)	—	1	23	—	24
Income (Loss) Before Income Taxes	(321)	1,566	7	29	1,281
Provision (Benefit) for Income Taxes	—	359	169	—	528
Equity in Earnings, Net of Tax	1,074	(125)	432	(1,381)	—
Net Income (Loss)	$ 753	$ 1,082	$ 270	$ (1,352)	$ 753

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2012				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 753	$ 1,082	$ 270	$ (1,352)	$ 753
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	2	—	3	—	5
Foreign Currency Translation	—	—	(2)	—	(2)
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	1	—	1
Total Other Comprehensive Income (Loss), Net of Tax	2	—	2	—	4
Total Comprehensive Income	$ 755	$ 1,082	$ 272	$ (1,352)	$ 757

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2011				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 9,570	$ 3,334	$ (2,540)	$ 10,364
Costs of Goods Sold, Buying and Occupancy	—	(5,943)	(2,782)	2,418	(6,307)
Gross Profit	—	3,627	552	(122)	4,057
General, Administrative and Store Operating Expenses	(5)	(2,297)	(517)	121	(2,698)
Impairment of Goodwill and Other Intangible Assets	—	—	(232)	—	(232)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	6	105	—	111
Operating Income (Loss)	(5)	1,336	(92)	(1)	1,238
Interest Expense	(245)	(25)	(12)	36	(246)
Other Income (Loss)	—	1	234	—	235
Income (Loss) Before Income Taxes	(250)	1,312	130	35	1,227
Provision (Benefit) for Income Taxes	2	324	51	—	377
Equity in Earnings, Net of Tax	1,102	108	217	(1,427)	—
Net Income (Loss)	$ 850	$ 1,096	$ 296	$ (1,392)	$ 850

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2011				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 850	$ 1,096	$ 296	$ (1,392)	$ 850
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	3	—	—	—	3
Foreign Currency Translation	—	—	(1)	—	(1)
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	(3)	—	(3)
Total Other Comprehensive Income (Loss), Net of Tax	3	—	(4)	—	(1)
Total Comprehensive Income	$ 853	$ 1,096	$ 292	$ (1,392)	$ 849

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (302)	$ 1,267	$ 283	$ —	$ 1,248
Investing Activities:					
Capital Expenditures	—	(475)	(216)	—	(691)
Return of Capital from Third-party Apparel Sourcing Business Investment	—	—	46	—	46
Other Investing Activities	—	—	(10)	—	(10)
Net Cash Used for Investing Activities	—	(475)	(180)	—	(655)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	495	—	—	—	495
Borrowings from Revolving Facility	290	—	—	—	290
Repayments on Revolving Facility	(290)	—	—	—	(290)
Repurchase of Common Stock	(60)	—	—	—	(60)
Dividends Paid	(349)	—	—	—	(349)
Excess Tax Benefits from Share-based Compensation	—	31	5	—	36
Net Financing Activities and Advances to/from Consolidated Affiliates	184	113	(297)	—	—
Proceeds From Exercise of Stock Options and Other	32	—	—	—	32
Net Cash Provided by (Used for) Financing Activities	302	144	(292)	—	154
Effects of Exchange Rate Changes on Cash	—	—	(1)	—	(1)
Net Increase (Decrease) in Cash and Cash Equivalents	—	936	(190)	—	746
Cash and Cash Equivalents, Beginning of Year	—	417	356	—	773
Cash and Cash Equivalents, End of Year	$ —	$ 1,353	$ 166	$ —	$ 1,519

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2012				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (361)	$ 1,342	$ 370	$ —	$ 1,351
Investing Activities:					
Capital Expenditures	—	(344)	(244)	—	(588)
Return of Capital from Third-party Apparel Sourcing Business Investment	—	—	22	—	22
Return of Capital from Easton Investments	—	—	13	—	13
Net Investments in Consolidated Affiliates	—	36	—	(36)	—
Other Investing Activities	—	17	5	—	22
Net Cash Provided by (Used for) Investing Activities	—	(291)	(204)	(36)	(531)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	985	—	—	—	985
Payments of Long-term Debt	(57)	—	—	—	(57)
Repurchase of Common Stock	(629)	—	—	—	(629)
Dividends Paid	(1,449)	—	—	—	(1,449)
Excess Tax Benefits from Share-based Compensation	—	95	21	—	116
Net Financing Activities and Advances to/from Consolidated Affiliates	1,459	(1,100)	(395)	36	—
Proceeds From Exercise of Stock Options and Other	52	—	—	—	52
Net Cash Provided by (Used for) Financing Activities	361	(1,005)	(374)	36	(982)
Effects of Exchange Rate Changes on Cash	—	—	—	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	—	46	(208)	—	(162)
Cash and Cash Equivalents, Beginning of Year	—	371	564	—	935
Cash and Cash Equivalents, End of Year	$ —	$ 417	$ 356	$ —	$ 773

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2011				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (178)	$ 1,225	$ 219	$ —	$ 1,266
Investing Activities:					
Capital Expenditures	—	(219)	(207)	—	(426)
Proceeds from Divestiture of Third-party Apparel Sourcing Business	—	78	46	—	124
Proceeds from Sale of Express Common Stock	—	—	99	—	99
Net Investments in Consolidated Affiliates	—	(36)	—	36	—
Other Investing Activities	—	—	(23)	—	(23)
Net Cash Provided by (Used for) Investing Activities	—	(177)	(85)	36	(226)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	981	—	—	—	981
Financing Costs	(7)	—	—	—	(7)
Repurchase of Common Stock	(1,190)	—	—	—	(1,190)
Dividends Paid	(1,144)	—	—	—	(1,144)
Excess Tax Benefits from Share-based Compensation	—	39	9	—	48
Net Financing Activities and Advances to/from Consolidated Affiliates	1,463	(1,417)	(10)	(36)	—
Proceeds From Exercise of Stock Options and Other	75	—	—	—	75
Net Cash Provided by (Used for) Financing Activities	178	(1,378)	(1)	(36)	(1,237)
Effects of Exchange Rate Changes on Cash	—	—	2	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	—	(330)	135	—	(195)
Cash and Cash Equivalents, Beginning of Year	—	701	429	—	1,130
Cash and Cash Equivalents, End of Year	$ —	$ 371	$ 564	$ —	$ 935

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting as of February 1, 2014 is set forth in Item 8. Financial Statements and Supplementary Data.

Attestation Report of the Registered Public Accounting Firm. The Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting as of February 1, 2014 is set forth in Item 8. Financial Statements and Supplementary Data.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the fourth quarter 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding our directors is set forth under the captions “ELECTION OF DIRECTORS—Nominees and Directors”, “—Director Independence”, “—Board Leadership Structure ”, “—Risk Oversight; Certain Compensation Matters”, “—Information Concerning the Board of Directors”, “—Committees of the Board of Directors”, “—Meetings of the Company's Non-Management Directors”, “—Communications with the Board”, “—Attendance at Annual Meetings”, “—Code of Conduct and Related Person Transaction Policy”, “—Copies of the Company’s Code of Conduct, Corporate Governance Principles and Related Person Transaction Policy and Committee Charters”, and “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” in the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “EXECUTIVE OFFICERS OF REGISTRANT” in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “COMPENSATION-RELATED MATTERS” in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” in the Proxy Statement and is incorporated herein by reference.

The following table summarizes share and exercise price information about L Brands’ equity compensation plans as of February 1, 2014.

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

(1) Includes the following plans: L Brands, Inc. 2011 Stock Option and Performance Incentive Plan and L Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 restatement).
(2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted shares awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees and Directors” and “—Director Independence” in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information regarding principal accountant fees and services is set forth under the captions “INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS—Audit Fees”, “—Audit Related Fees”, “—Tax Fees”, “—All Other Fees” and “—Pre-approval Policies and Procedures” in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of L Brands, Inc. are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Statements of Income for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Consolidated Statements of Comprehensive Income for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Consolidated Balance Sheets as of February 1, 2014 and February 2, 2013

Consolidated Statements of Total Equity (Deficit) for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Consolidated Statements of Cash Flows for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Notes to Consolidated Financial Statements

(a) (2) Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(a) (3) List of Exhibits

3. Articles of Incorporation and Bylaws.

3.1 Restated Certificate of Incorporation of the Company.

3.2 Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Form 8-K dated March 22, 2013.

4. Instruments Defining the Rights of Security Holders.

4.1 Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File no. 333-105484) dated May 22, 2003.

4.2 Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "SEC") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the SEC on February 23, 1993 (the "1993 Form S-3").

4.3 Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.

4.4 Indenture, dated as of February 19, 2003 between the Company and The Bank of New York, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-4 (File no. 333-104633) dated April 18, 2003.

4.5 First Supplemental Indenture dated as of May 31, 2005 among the Company, The Bank of New York and The Bank of New York Trust Company, N.A. incorporated by reference to Exhibit 4.1.2 to the Company's Registration Statement on Form S-3 (Reg. No. 333-125561) filed June 6, 2005.

4.6 Second Supplemental Indenture dated as of July 17, 2007 between the Company and The Bank of New York Trust Company, N.A. incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-146420) filed October 1, 2007.

4.7 Indenture, dated as of June 19, 2009, among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 24, 2009.

4.8 Registration Rights Agreement, dated as of June 19, 2009, among the Company, the guarantors named therein and J.P. Morgan Securities Inc., as representative of the initial purchasers, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2009.

4.9 Third Supplemental Indenture dated as of May 4, 2010 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on November 5, 2010.

4.10 Amendment and Restatement Agreement, dated as of July 15, 2011, among the Company, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, under the Amended and Restated Five-Year Revolving Credit Agreement dated as of October 6, 2004, as amended and restated as of November 5, 2004, March 22, 2006, August 3, 2007, February 19, 2009 and March 8, 2010, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 30, 2011.

4.11 Fourth Supplemental Indenture dated as of January 29, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.5 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.

4.12 Form of Fifth Supplemental Indenture dated as of March 25, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.6 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.

4.13 Sixth Supplemental Indenture dated as of February 7, 2012 among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 28, 2012.

4.14 Seventh Supplemental Indenture dated as of March 22, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.

4.15 Eighth Supplemental Indenture dated as of October 16, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.9 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.

10. Material Contracts.

10.1 Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").**

10.2 The Company's Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.**

10.3 Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.**

10.4 Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.**

10.5 The 1993 Stock Option and Performance Incentive Plan of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-49871).**

10.6 The Company's 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.**

10.7 The Company's Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.**

10.8 Agreement dated as of May 3, 1999 among the Company, Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.

10.9 The 1998 Restatement of the Company's 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.**

10.10 The 2002 Restatement of the Company's 1993 Stock Option and Performance Incentive Plan, incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.**

10.11 The Company's Stock Award and Deferred Compensation Plan for Non-Associate Directors incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated November 13, 2003.**

10.12 The Company's 1993 Stock Option and Performance Incentive Plan (2003 Restatement) incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated November 13, 2003.**

10.13 The Company's 1993 Stock Option and Performance Incentive Plan (2004 Restatement) incorporated by reference to Appendix A to the Company's Proxy Statement dated April 14, 2004.**

10.14 Employment Agreement dated as of January 17, 2005 among the Company, The Limited Service Corporation and Martyn Redgrave incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 19, 2005.**

10.15 The Company's Stock Option Award Agreement incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**

10.16 Form of Stock Ownership Guideline incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**

10.17 Employment Agreement dated as of November 24, 2006 among the Company, Victoria's Secret Direct, LLC, and Sharen Jester Turney incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.**

10.18 Employment Agreement effective as of April 9, 2007 among the Company and Stuart Burgdoerfer incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated April 11, 2007.**

10.19 The Company's 1993 Stock Option and Performance Incentive Plan (2009 Restatement) incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated September 10, 2009.**

10.20 Employment Agreement dated as of December 31, 2007 among the Company, beautyAvenues, LLC, and Charles C. McGuigan, as amended by Amendment to Agreement dated December 1, 2008 and Form of Employment Agreement Amendment effective as of March 15, 2012 incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**

10.21 The Company's 2011 Stock Option and Performance Incentive Plan originally incorporated by reference to Appendix A to the Company's Proxy Statement dated April 11, 2011 and Amended and Restated dated July 21, 2011 incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**

10.22 Amendment to Employment Agreement dated as of August 1, 2012 among the Company, Limited Brands Service Company, LLC and Martyn Redgrave incorporated by reference to the Company's Form 8-K dated May 4, 2012.**

10.23 Employment Agreement dated as of November 30, 2012 among the Company and Sharen Jester Turney incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended October 27, 2012.**

10.24 Employment Agreement dated as of March 15, 2013 among the Company, Bath & Body Works Brand Management, Inc. and Nicholas P. M. Coe incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.**

10.25 Form of Fifth Amended and Restated Master Aircraft Time Sharing Agreement incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.**

12. Computation of Ratio of Earnings to Fixed Charges.

14.	Code of Ethics—incorporated by reference to the definitive Proxy Statement to be filed on or about March 26, 2014.
21.	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
24.	Powers of Attorney.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32.	Section 906 Certification (by CEO and CFO).

** Identifies management contracts or compensatory plans or arrangements.

(b) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

(c) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or l5(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 21, 2014

L BRANDS, INC. (Registrant)

By: /s/ STUART B. BURGDOERFER

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

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 1, 2014:

Signature	Title
/s/ LESLIE H. WEXNER** Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer
/s/ E. GORDON GEE** E. Gordon Gee	Director
/s/ DENNIS S. HERSCH** Dennis S. Hersch	Director
/s/ DONNA A. JAMES** Donna A. James	Director
/s/ DAVID T. KOLLAT** David T. Kollat	Director
/s/ WILLIAM R. LOOMIS, JR.** William R. Loomis, Jr.	Director
/s/ JEFFREY H. MIRO** Jeffrey H. Miro	Director
/s/ MICHAEL MORRIS** Michael Morris	Director
/s/ STEPHEN STEINOUR** Stephen Steinour	Director
/s/ ALLAN R. TESSLER** Allan R. Tessler	Director
/s/ ABIGAIL S. WEXNER** Abigail S. Wexner	Director
/s/ RAYMOND ZIMMERMAN** Raymond Zimmerman	Director

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

By /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Attorney-in-fact

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

L BRANDS, INC.
(exact name of Registrant as specified in its charter)

EXHIBITS

EXHIBIT INDEX

Exhibit No.	Document
3.1	Restated Certificate of Incorporation of the Company.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
24	Powers of Attorney.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

L BRANDS, INC.

FIRST. The name of the Corporation is: L Brands, Inc.

SECOND. The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, Delaware, County of New Castle 19801, and the name of its registered agent at that address is The Corporation Trust Company.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH.

Section 1. Capital Stock. The Corporation shall be authorized to issue two classes of stock to be designated, respectively, “Preferred Stock” and “Common Stock”; the total number of shares which the Corporation shall have authority to issue is One Billion Ten Million (1,010,000,000); the total number of shares of Preferred Stock shall be Ten Million (10,000,000) and each such share shall have a par value of One Dollar ($1.00); and the total number of shares of Common Stock shall be One Billion (1,000,000,000) and each such share shall have a par value of Fifty Cents ($.50).

Section 2. Preferred Stock.

2.1. Series and Limits of Variations between Series. Any unissued or treasury shares of the Preferred Stock may be issued from time to time in one or more series for such consideration as may be fixed from time to time by the Board of Directors and each share of a series shall be identical in all respects with the other shares of such series, except that, if the dividends thereon are cumulative, the date from which they shall be cumulative may differ. Before any shares of Preferred Stock of any particular series shall be issued, a certificate shall be filed with the Secretary of State of Delaware setting forth the designation, rights, privileges, restrictions, and conditions to be attached to the Preferred Stock of such series and such other matters as may be required, and the Board of Directors shall fix and determine, and is hereby expressly empowered to fix and determine, in the manner provided by law, the particulars of the shares of such series (so far as not inconsistent with the provisions of this Article applicable to all series of Preferred Stock), including, but not limited to, the following:

2.1.1 the distinctive designation of such series and the number of shares which shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors in creating such series) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

2.1.2 the annual rate of dividends payable on shares of such series, the conditions upon which such dividends shall be payable and the date from which dividends shall be cumulative in the event the Board of Directors determines that dividends shall be cumulative;

2.1.3 whether such series shall have voting rights, in addition to the voting rights provided by law and, if so, the terms of such voting rights;

2.1.4 whether such series shall have conversion privileges and, if so, the terms and conditions of such conversion, including, but not limited to, provision for adjustment of the conversion rate upon such events and in such manner as the Board of Directors shall determine;

2.1.5 whether or not the shares of such series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

2.1.6 whether such series shall have a sinking fund for the redemption or purchase of shares of that series and, if so, the terms and amount of such sinking fund;

2.1.7 the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and

2.1.8 any other relative rights, preferences and limitations of such series.

Section 3. Common Stock.

3.1. Issuance and Consideration. Any unissued or treasury shares of the Common Stock may be issued for such consideration as may be fixed in accordance with applicable law from time to time by the Board of Directors.

3.2. Voting Rights. At every meeting of the stockholders every holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in the name of such stockholder on the books of the Corporation, on each matter on which the Common Stock is entitled to vote.

3.3. Dividends. Subject to the rights of holders of the Preferred Stock, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property, or in shares of stock and the holders of the Preferred Stock shall not be entitled to participate in any such dividends (unless otherwise provided by the Board of Directors in any resolution providing for the issue of a series of Preferred Stock).

3.4. Rights in Event of Dissolution. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, either voluntarily or involuntarily, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amounts to which the holders of the Preferred Stock shall be entitled, to share ratably in the remaining assets of the Corporation to the exclusion of the Preferred Stock (unless otherwise provided by the Board of Directors in any resolution providing for the issue of a series of Preferred Stock). Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 3.4.

Section 4. No Preemptive Rights. No holder of shares of this Corporation of any class shall be entitled, as such, as a matter of right, to subscribe for or purchase shares of any class now or hereafter authorized, or to purchase or subscribe for securities convertible into or exchangeable for shares of the Corporation or to which there shall be attached or appertain any warrants or rights entitling the holders thereof to purchase or subscribe for shares.

FIFTH.

Section 1. Amendment of Bylaws by Directors. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind the bylaws of the Corporation.

Section 2. Amendment of Bylaws by the Stockholders. The bylaws shall not be made, repealed, altered, amended or rescinded by the stockholders of the Corporation except by the vote of the holders of not less than 75 percent of the outstanding shares of the Corporation entitled to vote thereon. Any amendment to the Certificate of Incorporation which shall contravene any bylaw in existence on the record date of the stockholders meeting at which such amendment is to be voted upon by the stockholders shall require the vote of the holders of not less than 75 percent of the outstanding shares entitled to vote thereon.

SIXTH.

Section 1. Classified Board. Effective immediately upon the issuance of more than 1,000 shares of Common Stock of the Corporation, the Board of Directors (exclusive of directors to be elected by the holders of any one or more series of Preferred Stock voting separately as a class or classes) shall be divided into three classes, Class A, Class B, and Class C. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of directors by three, and if a fraction is also contained in such quotient, then if such fraction is one-third, the extra director shall be a member of Class A and if the fraction is two-thirds, one of the extra directors shall be a member of Class A and the other shall be a member of Class B. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class A shall serve for a term ending on the date of the annual meeting next following the end of the calendar year 1982, the directors first elected to Class B shall serve for a term ending on the date of the second annual meeting next following the end of the calendar year 1982, and the directors first elected to Class C shall serve for a term ending on the date of the third annual meeting next following the end of the calendar year 1982. Notwithstanding the foregoing formula provisions, in the event that, as a result of any change in the authorized number of directors, the number of directors in any class would differ from the number allocated to that class under the formula provided in this Article immediately prior to such change, the following rules shall govern:

(a) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, resignation or removal;

(b) at each subsequent election of directors, even if the number of directors in the class whose term of office then expires is less than the number then allocated to that class under said formula, the number of directors then elected for membership in that class shall not be greater than the number of directors in that class whose term of office then expires, unless and to the extent that the aggregate number of directors then elected plus the number of directors in all classes then duly continuing in office does not exceed the then authorized number of directors of the Corporation;

(c) at each subsequent election of directors, if the number of directors in the class whose term of office then expires exceeds the number then allocated to that class under said formula, the Board of Directors shall designate one or more of the directorships then being elected as directors of another class or classes in which the number of directors then serving is less than the number then allocated to such other class or classes under said formula;

(d) in the event of the death, resignation or removal of any director who is a member of a class in which the number of directors serving immediately preceding the creation of such vacancy exceeded the number then allocated to that class under said formula, the Board of Directors shall designate the vacancy thus created as a vacancy in another class in which the number of directors then serving is less than the number then allocated to such other class under said formula;

(e) in the event of any increase in the authorized number of directors, the newly created directorships resulting from such increase shall be apportioned by the Board of Directors to such class or classes as shall, so far as possible, bring the composition of each of the classes into conformity with the formula in this Article, as it applies to the number of directors authorized immediately following such increase; and

(f) designation of directorships or vacancies into other classes and apportionments of newly created directorships to classes by the Board of Directors under the foregoing items (c), (d) and (e) shall, so far as possible, be effected so that the class whose term of office is due to expire next following such designation or apportionment shall contain the full number of directors then allocated to said class under said formula.

Notwithstanding any of the foregoing provisions of this Article, each director shall serve until this successor is elected and qualified or until his death, resignation or removal.

Section 2. Election by Holders of Preferred Stock. During any period when the holders of any Preferred Stock or any one or more series thereof, voting as a class, shall be entitled to elect a specified number of directors, by reason of divided arrearages or other provisions giving them the right to do so, then and during such time as such right continues (i) the then otherwise authorized number of directors shall be increased by such specified number of directors, and the holders of such Preferred Stock or such series thereof, voting as a class, shall be entitled to elect the additional directors so provided for, pursuant to the provisions of such Preferred Stock or series; (ii) each such additional director shall serve for such term, and have such voting powers, as shall be stated in the provisions pertaining to such Preferred Stock or series; and (iii) whenever the holders of any such Preferred Stock or series thereof are divested of such rights to elect a specified number of directors, voting as a class, pursuant to the provisions of such Preferred Stock or series, the terms of office of all directors elected by the holders of such Preferred Stock or series, voting as a class pursuant to such provisions or elected to fill any vacancies resulting from the death, resignation or removal of directors so elected by the holders of such Preferred Stock or series, shall forthwith terminate and the authorized number of directors shall be reduced accordingly.

Section 3. Ballots. Elections of directors at an annual or special meeting of stockholders need not be by written ballot unless the bylaws of the Corporation shall provide otherwise.

Section 4. Elimination of Certain Personal Liability of Directors. A director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of any fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derives an improper personal benefit. If the General Corporation Law of the State of Delaware is amended after approval by the stockholders of this Section to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of

Delaware, as so amended. The foregoing limitation on liability shall not apply to acts or omissions occurring prior to the effective date of this Section.

SEVENTH. After the issuance of more than 1,000 shares of Common Stock of the Corporation, no action shall be taken by the stockholders except at an annual or special meeting of stockholders.

EIGHTH. The affirmative vote of the holders of not less than 75 percent of the outstanding shares of the Corporation entitled to vote thereon shall be required for the approval of any proposal that (1) the Corporation merge or consolidate with any other corporation or any affiliate of such other corporation if such other corporation and its affiliates singly or in the aggregate are directly or indirectly the beneficial owners of more than five percent of the outstanding shares of any class of stock of the Corporation entitled to vote in the election of directors (such other corporation and any affiliate thereof being herein referred to as a "Related Corporation"), or (2) the Corporation sell, lease or exchange all or substantially all of its assets or business to or with such Related Corporation, or (3) the Corporation issue or deliver any stock or other securities of its issue in exchange or payment for any properties or assets of any such Related Corporation or securities issued by any such Related Corporation or in a merger of any affiliate of the Corporation with or into any such Related Corporation, or (4) the Corporation dissolve, and to effect such transaction the approval of stockholders of the Corporation is required by law or by any agreement between the Corporation and any national securities exchange; provided, however, that the foregoing clauses (1), (2), (3) and (4) shall not apply (i) to any such merger, consolidation, sale, lease, or exchange, or issuance or delivery of assets or other securities which was approved by resolution of the Board of Directors of the Corporation prior to the acquisition of the beneficial ownership of more than five percent of the outstanding Common Stock by the Related Corporation, (ii) to any such transaction solely between the Corporation and another corporation 50 percent or more of the voting power of which is owned by the Corporation provided that the Certificate of Incorporation of the surviving corporation contains provisions substantially similar to those provided in Articles FIFTH, SIXTH, Section 1, SEVENTH, EIGHTH, NINTH, TENTH, and ELEVENTH, (iii) to any transaction between this Corporation and either (a) any stockholder who owned in excess of 10 percent of the Common Stock of the Corporation immediately after the merger of Limited Interim Ohio, Inc., an Ohio corporation, into The Limited Stores, Inc. an Ohio corporation or (b) any affiliate from time to time organized, established, or incorporated of a stockholder referred to in (iii) (a) above. For the purposes hereof, an “affiliate” is any person (including a corporation, partnership, association, trust, business entity, estate or individual) who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified; “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise; and in computing the percentage of outstanding Common Stock beneficially owned by any person, the shares outstanding and the shares owned shall be determined as of the record date fixed to determine the stockholders entitled to vote or express consent with respect to such proposal. The stockholder vote, if any, required for mergers, consolidations, sales, leases, or exchanges of assets or issuances of stock or other securities not expressly provided for in this Article, shall be such as may be required by applicable law.

NINTH. The Board of Directors of the Corporation, when evaluating any offer of another party to (1) make a tender or exchange offer for any equity security of the Corporation, (2) merge or consolidate the Corporation with another corporation, or (3) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation, shall in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its stockholders, give due consideration to all relevant factors, including without limitation the social and economic effects on the employees, customers, suppliers and other constituents of the Corporation and its subsidiaries and on the communities in which the Corporation and its subsidiaries operate or are located.

TENTH. Any director may be removed at any annual or special stockholders’ meeting upon the affirmative vote of the holders of not less than 75 percent of the outstanding shares of voting stock of the Corporation at that time entitled to vote thereon; provided, however, that such director may be removed only for cause and shall receive a copy of the charges against him, delivered to him personally or by mail at his last known address at least 10 days prior to the date of the stockholders’ meeting; provided further, that directors who shall have been elected by the holders of a series or class of Preferred Stock, voting separately as a class, shall be removed only pursuant to the provisions establishing the rights of such series or class to elect such directors.

ELEVENTH.

Section 1. Amendment of Certain Articles. The provisions set forth in this Article ELEVENTH and in Article FIFTH (dealing with the amendment of bylaws), SIXTH, Section 1 (dealing with the classified Board), SEVENTH (dealing with the prohibition against stockholder action without meetings), EIGHTH (dealing with the 75 percent vote of stockholders required for certain reorganizations), NINTH (dealing with certain matters to be considered by the Board in evaluating certain offers), and TENTH (dealing with the removal of any director) may not be amended, altered, changed, or repealed in any respect unless such repeal or amendment is approved by the affirmative vote of the holders of not less than 75 percent of the outstanding shares of the Corporation entitled to vote thereon.

Section 2. Amendments Generally. Subject to the provisions of Section 1 of this Article ELEVENTH, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

TWELFTH.

Section 1. Vote Required for Certain Business Combinations. The affirmative vote of the holders of not less than 75 percent of the outstanding shares of "Voting Stock" (as hereinafter defined) held by stockholders other than an "Interested Person" (as hereinafter defined) shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) of the Corporation with any Interested Person; provided, however, that the 75 percent voting requirement shall not be applicable if:

(a) the "Continuing Directors" (as hereinafter defined) of the Corporation by at least a two-thirds vote (i) have expressly approved in advance the acquisition of the outstanding shares of Voting Stock that caused such Interested Person to become an Interested Person, or (ii) have expressly approved such Business Combination either in advance of or subsequent to such Interested Person's having become an Interested Person; or

(b) the cash or fair market value (as determined by at least two-thirds of the Continuing Directors) of the property, securities or "Other Consideration to be Received" (as hereinafter defined) per share by holders of Voting Stock of the Corporation in the Business Combination is not less than the "Fair Price" (as hereinafter defined) paid by the Interested Person in acquiring any of its holdings of the Corporation's Voting Stock.

Section 2. Definitions. Certain words and terms as used in this Article TWELFTH shall have the meanings given to them by the definitions and descriptions in this Section.

2.1. Business Combination. The term "Business Combination" shall mean (a) any merger or consolidation of the Corporation or a subsidiary of the Corporation with or into an Interested Person, (b) any sale, lease, exchange, transfer or other disposition, including without limitation, a mortgage or any other security device, of all or any "Substantial Part" (as hereinafter defined) of the assets either of the Corporation (including without limitation, any voting securities of a subsidiary) or of a subsidiary of the Corporation to an Interested Person, (c) any merger or consolidation of an Interested Person with or into the Corporation or a subsidiary of the Corporation, (d) any sale, lease, exchange, transfer or other disposition, including without limitation, a mortgage or other security device, of all or any Substantial Part of the assets of an Interested Person to the Corporation or a subsidiary of the Corporation, (e) the issuance or transfer by the Corporation or any subsidiary of any securities of the Corporation or a subsidiary of the Corporation to an Interested Person, (f) any reclassification of securities, recapitalization or other comparable transaction involving the Corporation that would have the effect of increasing the Voting power of any Interested Person with respect to Voting Stock of the Corporation, and (g) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination.

2.2. Interested Person. The term "Interested Person" shall mean and include any individual, corporation, partnership or other person or entity which, together with its "Affiliates" and "Associates" (as defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect at the date of the adoption of this Article TWELFTH by the stockholders of the Corporation), "Beneficially Owns" (as defined in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect at the date of the adoption of this Article TWELFTH by the stockholders of the Corporation) in the aggregate 20 percent or more of the outstanding Voting Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity. Without limitation, any share of Voting Stock of the Corporation that any Interested Person has the right to acquire at any time (notwithstanding that Rule 13d-3 deems such shares to be beneficially owned only if such right may be exercised within 60 days) pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed to be Beneficially Owned by the Interested Person and to be outstanding for purposes of this definition. An Interested Person shall be deemed to have acquired a share of the Voting Stock of the Corporation at the time when such Interested Person became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to an Interested Person under the foregoing definition of Interested Person, if the price paid by such Interested Person for such shares is not determinable by two-thirds of the Continuing Directors, the price so paid shall be deemed to be the higher of (a) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (b) the market price of the shares in question at the time when the Interested Person became the Beneficial Owner thereof.

2.3. Voting Stock. The term "Voting Stock" shall mean all of the outstanding shares of Common Stock of the Corporation and any outstanding shares of Preferred Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

2.4. Continuing Director. The term "Continuing Director" shall mean a Director who was a member of the Board of Directors of the Corporation immediately prior to the time that the Interested Person involved in a Business Combination became an Interested Person, or a Director who was elected or appointed to fill a vacancy after the date the Interested Person became an Interested Person by a majority of the then-current Continuing Directors.

2.5. Fair Price. The term "Fair Price" shall mean the following: If there is only one class of capital stock of the Corporation issued and outstanding, the Fair Price shall mean the highest price that can be determined by a majority of the Continuing Directors to have been paid at any time by the Interested Person for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Corporation issued and outstanding, the Fair Price shall mean with respect to each class and series of capital stock of the Corporation, the amount determined by a majority of the Continuing Directors to be the highest per share price equivalent of the highest price that can be determined to have been paid at any time by the Interested Person for any share or shares of any class or series of capital stock of the Corporation. In determining the Fair Price, all purchases by the Interested Person shall be taken into account regardless of whether the shares were purchased before or after the Interested Person became an Interested Person. Also, the Fair Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by the Interested Person with respect to the shares of capital stock of the Corporation acquired by the Interested Person. In the case of any Business Combination with an Interested Person, a majority of the Continuing Directors shall determine the Fair Price for each class and series of the capital stock of the Corporation. The Fair Price shall also include interest compounded annually from the date an Interested Person became an Interested Person through the date the Business Combination is consummated at the publicly announced base rate of interest of Morgan Guaranty Trust Company of New York less the aggregate amount of any cash dividends paid, and the fair market value of any dividends paid in other than cash, on each share of capital stock in the same time period, in an amount up to but not exceeding the amount of interest so payable per share of capital stock.

2.6. Substantial Part. The term "Substantial Part" shall mean more than 20 percent of the fair market value as determined by two-thirds of the Continuing Directors of the total consolidated assets of the Corporation and its subsidiaries taken as a whole as of the end of its most recent fiscal year ended prior to the time the determination is being made.

2.7. Other Consideration to be Received. The term "Other Consideration to be Received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by its existing stockholders other than Interested Persons or other parties to such Business Combination in the event of a Business Combination in which the Corporation is the surviving corporation.

Section 3. Determinations by the Continuing Directors. In making any determinations, the Continuing Directors may engage such persons, including investment banking firms and the independent accountants who have reported on the most recent financial statements of the Corporation, and utilize employees and agents of the Corporation, who will, in the judgment of the Continuing Directors, be of assistance to the Continuing Directors. Any determinations made by the Continuing Directors, acting in good faith on the basis of such information and assistance as was then reasonably available for such purposes, shall be conclusive and binding upon the Corporation and its stockholders, including any Interested Person.

THIRTEENTH. The provisions set forth in Article TWELFTH and in this Article THIRTEENTH may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of the holders of not less than 75 percent of the outstanding shares of Voting Stock (as defined in Article TWELFTH) of the Corporation at a meeting of the stockholders duly called for the consideration of such amendment, alteration, change or repeal; provided, however, that if there is an Interested Person (as defined in Article TWELFTH), such action must also be approved by the affirmative vote of the holders of not less than 75 percent of the outstanding shares of Voting Stock held by the stockholders other than the Interested Person.

Exhibit 12

L Brands, Inc.
Computation of Ratio of Earnings to Fixed Charges

	Fiscal Year Ended				
	February 1, 2014	**February 2, 2013**	**January 28, 2012**	**January 29, 2011**	**January 30, 2010**
Earnings:			(in millions)		
Income before income taxes, noncontrolling interest and cumulative effect of change in accounting principle	$ 1,446	$ 1,280	$ 1,226	$ 1,251	$ 650
Fixed charges (excluding capitalized interest)	429	426	354	329	357
Distributions from equity method investments, net of income or loss from equity investees	49	11	—	(3)	(5)
Total earnings	$ 1,924	$ 1,717	$ 1,580	$ 1,577	$ 1,002
Fixed charges:					
Portion of minimum rent representative of interest	$ 114	$ 107	$ 105	$ 118	$ 118
Interest on indebtedness (including capitalized interest)	314	317	246	208	238
Total fixed charges	$ 428	$ 424	$ 351	$ 326	$ 356
Ratio of earnings to fixed charges	4.5	4.1	4.5	4.8	2.8

For the purpose of calculating the ratios of earnings to fixed charges, we calculate earnings by adding fixed charges and distributions from equity method investees, net of income or losses from equity method investees, to pre-tax income from continuing operations before noncontrolling interests in consolidated subsidiaries and cumulative effect of changes in accounting principle. Fixed charges include total interest and a portion of rent expense, which we believe is representative of the interest factor of our rent expense. Interest associated with income tax liabilities is excluded from our calculation.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries (a)	Jurisdiction of Incorporation
Bath & Body Works Direct, Inc. (b)	Delaware
L Brands Store Design & Construction, Inc. (c)	Delaware
Henri Bendel, Inc. (d)	Delaware
Mast Industries, Inc. (e)	Delaware
Mast Industries (Far East) Limited (f)	Hong Kong
Mast Logistics Services, Inc. (g)	Delaware
L Brands Service Company, LLC (h)	Delaware
Mast Technology Services, Inc. (i)	Delaware
Retail Store Operations, Inc. (j)	Delaware
L Brands Direct Fulfillment, Inc. (k)	Delaware
Victoria's Secret Direct Brand Management, LLC (l)	Delaware
Victoria's Secret Stores, LLC (m)	Delaware
Victoria's Secret Stores Brand Management, Inc. (n)	Delaware
Bath & Body Works, LLC (o)	Delaware
Bath & Body Works Brand Management, Inc. (p)	Delaware
beautyAvenues, LLC (q)	Delaware
Intimate Brands, Inc. (r)	Delaware
Intimate Brands Holding, LLC (s)	Delaware
La Senza Corporation (t)	Nova Scotia
Bath & Body Works (Canada) Corporation (u)	Nova Scotia
Victoria's Secret (Canada) Corporation (v)	Nova Scotia
Victoria's Secret UK Limited (w)	United Kingdom
Puerto Rico Store Operations, LLC (x)	Puerto Rico

(a) The names of certain subsidiaries are omitted since such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of February 1, 2014.

(b) Bath & Body Works Direct, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(c) L Brands Store Design & Construction, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(d) Henri Bendel, Inc., a Delaware corporation, is a wholly owned subsidiary of Retail Store Operations, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(e) Mast Industries, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(f) Mast Industries (Far East) Limited, a Hong Kong corporation, is a wholly owned subsidiary of L (Overseas) Holdings LP, an Alberta limited partnership and majority owned by L Brands (Overseas) Inc., a Delaware corporation and wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(g) Mast Logistics Services, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(h) L Brands Service Company, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(i) Mast Technology Services, Inc., a Delaware corporation, is a wholly owned subsidiary of L Brands Service Company, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(j) Retail Store Operations, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(k) L Brands Direct Fulfillment, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(l) Victoria's Secret Direct Brand Management, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Victoria's Secret Stores Brand Management, Inc., a Delaware Corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(m) Victoria's Secret Stores, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Retail Store Operations, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(n) Victoria's Secret Stores Brand Management, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(o) Bath & Body Works, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Retail Store Operations, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(p) Bath & Body Works Brand Management, Inc., a Delaware corporation, is a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(q) beautyAvenues, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Mast Industries, Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(r) Intimate Brands, Inc., a Delaware corporation, is a wholly owned subsidiary of the registrant.

(s) Intimate Brands Holding, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(t) La Senza Corporation, a Nova Scotia corporation, is a wholly owned subsidiary of Canadian Retail Holdings Corporation, a Nova Scotia corporation and a wholly owned subsidiary of Canadian Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of Canada Brands Finance LP, an Alberta limited partnership and a majority owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of L (Overseas) Holdings LP, an Alberta limited partnership and majority owned by L Brands (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(u) Bath & Body Works (Canada) Corporation, a Nova Scotia corporation, is a wholly owned subsidiary of Canadian Retail Holdings Corporation, a Nova Scotia corporation and a wholly owned subsidiary of Canadian Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of Canada Brands Finance LP, an Alberta limited partnership and a majority owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of L (Overseas) Holdings LP, an Alberta limited partnership and majority owned by L Brands (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(v) Victoria's Secret (Canada) Corporation, a Nova Scotia corporation, is a wholly owned subsidiary of Canadian Retail Holdings Corporation, a Nova Scotia corporation and a wholly owned subsidiary of Canadian Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of Canada Brands Finance LP, an Alberta limited partnership and a majority owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of L (Overseas) Holdings LP, an Alberta limited partnership and majority owned by L Brands (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

(w) Victoria's Secret UK Limited, a United Kingdom limited company, is a wholly owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of L (Overseas) Holdings LP, an Alberta limited partnership and majority owned by L Brands (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc, a Delaware corporation and a wholly owned subsidiary of the registrant.

(x) Victoria's Secret Stores Puerto Rico, LLC, a Puerto Rico limited liability company, is a wholly owned subsidiary of Luxembourg (Overseas) Holdings S.a.r.l, a Luxembourg corporation and a wholly owned subsidiary of L (Overseas) Holdings LP, an Alberta limited partnership and majority owned by L Brands (Overseas) Inc., a Delaware corporation and a wholly owned subsidiary of Intimate Brands Holding, LLC, a Delaware limited liability company and a wholly owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly owned subsidiary of the registrant.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

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

Registration Statement (Form S-3 ASR No. 333-191968)
Registration Statement (Form S-4 No. 333-163026)
Registration Statement (Form S-8 No. 33-49871)
Registration Statement (Form S-8 No. 333-110465)
Registration Statement (Form S-8 No. 333-04927)
Registration Statement (Form S-8 No. 333-04941)
Registration Statement (Form S-8 No. 333-118407)
Registration Statement (Form S-8 No. 333-161841)
Registration Statement (Form S-8 No. 333-176588);

of our reports dated March 21, 2014, with respect to the consolidated financial statements of L Brands, Inc., and the effectiveness of internal control over financial reporting of L Brands, Inc., included in this Annual Report (Form 10-K) for the year ended February 1, 2014.

/s/ Ernst & Young LLP

Columbus, Ohio
March 21, 2014

Exhibit 24

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

The undersigned officer and/or director of L Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2014 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Stuart B. Burgdoerfer, 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, 2014.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

The undersigned officer and/or director of L Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2014 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Stuart B. Burgdoerfer, 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, 2014.

/s/ E. GORDON GEE

E. Gordon Gee

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 30th day of January, 2014.

/s/ DENNIS S. HERSCH

Dennis S. Hersch

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 30th day of January, 2014.

/s/ DONNA A. JAMES

Donna A. James

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 30th day of January, 2014.

/s/ DAVID T. KOLLAT

David T. Kollat

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 30th day of January, 2014.

/s/ WILLIAM R. LOOMIS, JR.

William R. Loomis, Jr.

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

The undersigned officer and/or director of L Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2014 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Stuart B. Burgdoerfer, 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, 2014.

/s/ JEFFREY H. MIRO

Jeffrey H. Miro

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

The undersigned officer and/or director of L Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2014 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Stuart B. Burgdoerfer, 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, 2014.

/s/ MICHAEL MORRIS

Michael Morris

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

The undersigned officer and/or director of L Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2014 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Stuart B. Burgdoerfer, 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, 2014.

/s/ STEPHEN STEINOUR

Stephen Steinour

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

The undersigned officer and/or director of L Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2014 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Stuart B. Burgdoerfer, 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, 2014.

/s/ ALLAN R. TESSLER

Allan R. Tessler

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 30th day of January, 2014.

/s/ ABIGAIL S. WEXNER

Abigail S. Wexner

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

The undersigned officer and/or director of L Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 1, 2014 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Stuart B. Burgdoerfer, 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, 2014.

/s/ RAYMOND ZIMMERMAN

Raymond Zimmerman

Exhibit 31.1

Section 302 Certification

I, Leslie H. Wexner, certify that:

1. I have reviewed this annual report on Form 10-K of L Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LESLIE H. WEXNER

Leslie H. Wexner
Chairman and Chief Executive Officer

Date: March 21, 2014

Exhibit 31.2

Section 302 Certification

I, Stuart B. Burgdoerfer, certify that:

1. I have reviewed this annual report on Form 10-K of L Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Executive Vice President and
Chief Financial Officer

Date: March 21, 2014

Exhibit 32

Section 906 Certification

Leslie H. Wexner, the Chairman and Chief Executive Officer, and Stuart B. Burgdoerfer, the Executive Vice President and Chief Financial Officer, of L Brands, Inc. (the “Company”), each certifies that, to the best of his knowledge:

(i) the Annual Report of the Company on Form 10-K dated March 21, 2014 for the fiscal year ended February 1, 2014 (the “Form 10-K”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ LESLIE H. WEXNER

Leslie H. Wexner
Chairman and Chief Executive Officer

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Executive Vice President and
Chief Financial Officer

Date: March 21, 2014