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 January 31, 2015

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)

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: $14,175,294,460.

Number of shares outstanding of the registrant's Common Stock as of March 13, 2015: 292,393,970.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2015 Annual Meeting of Stockholders to be held on May 21, 2015, 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; through websites; and through international franchise, license and wholesale partners (collectively, "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 1,100 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 300 stores and various small-format locations in more than 70 other countries operating under franchise, license and 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 80 stores in 23 other countries operating under franchise, license and wholesale arrangements.

Other Brands

La Senza is a specialty retailer of women's intimate apparel. We sell our La Senza products at more than 140 La Senza stores in Canada and online at *www.LaSenza.com*. Additionally, La Senza has more than 260 stores in 29 other countries operating under franchise, license and wholesale arrangements.

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

Divestiture

On October 31, 2011, we divested 51% of our ownership interest in our third-party apparel sourcing business to affiliates of Sycamore Partners. Throughout 2014, we continued to retain an ownership interest which we accounted for as an equity method investee. Subsequent to January 31, 2015, we divested our remaining ownership interest in the third-party apparel sourcing business. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Fiscal Year

Our fiscal year ends on the Saturday nearest to January 31. As used herein, "2014," "2013," "2011" and "2010" refer to the 52-week periods ending January 31, 2015, February 1, 2014, January 28, 2012 and January 29, 2011, 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 2014.

The following table provides the retail businesses and the number of our company-owned retail stores in operation for each business as of January 31, 2015 and February 1, 2014.

	January 31, 2015	February 1, 2014
Victoria’s Secret Stores U.S.	983	977
PINK U.S.	115	83
Victoria’s Secret Canada	31	24
PINK Canada	10	10
Bath & Body Works U.S.	1,558	1,559
Bath & Body Works Canada	88	79
Victoria's Secret U.K.	8	5
PINK U.K.	2	—
La Senza Canada	145	157
Henri Bendel	29	29
Total	2,969	2,923

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
2014	2,923	81	(35)	2,969
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

Franchise, License and Wholesale Arrangements

In addition to our company-owned stores, our products are sold at hundreds of partner locations in over 70 countries. We have arrangements with unaffiliated partners to operate Victoria's Secret, Bath & Body Works and La Senza stores throughout the world. Under these arrangements, third parties operate stores that sell our products under our brand names. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the partner. 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 January 31, 2015 and February 1, 2014.

	January 31, 2015	February 1, 2014
Victoria’s Secret Beauty and Accessories	290	198
Victoria’s Secret	13	4
PINK	1	—
Bath & Body Works	80	55
La Senza	266	331
Total	650	588

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-aged 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 sells young women's intimate apparel. La Senza offerings include bras, panties, sleepwear, loungewear and accessories.

In-Store Experience and Store Operations

We view our 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 2014, we purchased merchandise from approximately 700 suppliers located throughout the world. No supplier provided 10% or more of our merchandise purchases.

Distribution and Merchandise Inventory

Most of our merchandise is 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, data security 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 2014, 2013 and 2012 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

In the first quarter of 2014, we announced a change in our reportable segments. Results from company-owned Victoria's Secret and Bath & Body Works stores in Canada were 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 was created which includes the Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the United States and Canada. Therefore, beginning in 2014, we have three reportable segments: Victoria’s Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International. While this reporting change did not impact the Company's consolidated results, the segment data has been recast to be consistent for all periods presented throughout the financial statements and accompanying footnotes. For additional information, including the financial results of our reportable segments, see Note 20 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

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 January 31, 2015, we employed approximately 80,100 associates; 59,900 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, 77, has been our Chief Executive Officer since our founding in 1963 and Chairman of the Board of Directors since 1975.

Stuart B. Burgdoerfer, 51, has been our Executive Vice President and Chief Financial Officer since April 2007.

Nicholas P. M. Coe, 52, has been our Chief Executive Officer and President of Bath & Body Works since August 2011.

Charles C. McGuigan, 58, has been our Chief Operating Officer since May 2012 and our Chief Executive Officer and President of Mast Global since February 2011.

Sharen J. Turney, 58, 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
Columbus, Ohio 43230

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 franchise, license and wholesale partners;
- 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. 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 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 partner arrangements 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. 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 and their compliance with federal and local law. 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 our 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 include 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 outside our control; the maintenance and security of the Internet infrastructure; our ability to anticipate and implement innovations in technology and logistics in order to appeal to existing and potential customers who increasingly rely on multiple channels to meet their shopping needs; 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.

Our failure to maintain efficient and uninterrupted order-taking and fulfillment operations could also have a material adverse effect on our results. The satisfaction of our online customers depends on their timely receipt of merchandise. If we encounter difficulties with the distribution facilities, or if the facilities were to shut down for any reason, including as a result of fire or other natural disaster or work stoppage, we could face shortages of inventory; incur significantly higher costs and longer lead times associated with distributing our products to our customers; and cause customer dissatisfaction.

Any of these issues could have a material adverse effect on our 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, to maintain the security of customer, associate, supplier or company information 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 or other factors.

We also rely upon third-party transportation providers for substantially all of our product shipments, including shipments to and from our distribution centers, our stores and to our customers. Our utilization of these delivery services for shipments is subject to risks, including increases in fuel prices, which would increase our shipping costs, and employee strikes and inclement weather, which may impact our transportation providers' ability to provide delivery services that adequately meet our shipping needs.

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. In addition, our royalty arrangements are calculated based on sales in local currency and, as such, we are exposed to foreign currency exchange rate fluctuations. 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 recruit, train and 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 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, from time to time, we 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 not 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, financial condition and cash flows.

We may fail to maintain the security of customer, associate, supplier or company information which 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 with our customers, employees, investors and other third parties; 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 our information systems and prevent data loss, there is no guarantee that these procedures are adequate to safeguard against all data security breaches. In addition to our own networks and databases, we use third-party service providers to store, process and transmit certain of this information on our behalf. Although we contractually require these service providers to implement and use reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in their systems. We have confidential security measures in place to protect our physical facilities and information technology systems from attacks. Despite these measures, we may be vulnerable to targeted or random security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or similar events.

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, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants. Additionally, we could incur lost revenues and face increased litigation as a result of any potential cybersecurity breach.

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

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 U.S. Foreign Corrupt Practices Act, the U.K. Bribery 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 third parties we do business with, 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 January 31, 2015:

Location	Use	Approximate Square Footage
Columbus, Ohio area	Corporate, distribution and shipping	6,388,000
New York, New York	Office, sourcing and product development/design	645,000
Montreal, Quebec, Canada	Office, distribution and shipping	160,000
Kettering, Ohio	Call center	94,000
Hong Kong	Office and sourcing	60,000
Various international locations	Office and sourcing	67,000

United States

Our business for the Victoria’s Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International 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 January 31, 2015, we operate 2,685 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 2015 and 2030.

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 January 31, 2015, we operate 274 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 2015 and 2030.

United Kingdom

As of January 31, 2015, we operate 10 retail stores in leased facilities in the U.K. We have two additional leases in the U.K. related to stores that will open in 2015. 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 January 31, 2015, we also have global representation through stores operated by our partners:

- 266 La Senza stores in 29 countries;
- 80 Bath & Body Works stores in 23 countries;
- 14 Victoria's Secret stores in 6 Middle Eastern countries; and
- 290 Victoria’s Secret Beauty and Accessories stores and various small-format locations in more than 70 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 results of operations, financial condition and cash flows.

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 in the Court of Appeals for the Federal Circuit. Shortly before our appeal was filed, the Court of Appeals ruled in another proceeding involving a different company that the plaintiff's patents were invalid. On January 14, 2014, the U.S. Supreme Court denied the plaintiff's petition to overturn that ruling.

Subsequent to January 31, 2015, the Court of Appeals for the Federal Circuit issued an opinion on the case discussed above. The Court of Appeals' decision reversed the United States District Court for the Eastern District of Texas finding of infringement. The District Court's award of damages of $9 million for infringement from 2007 through 2011 and future royalty payments through 2015 were overturned. On March 16, 2015, the plaintiff filed a petition for a rehearing with the Court of Appeals for the Federal Circuit.

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 January 31, 2015, there were approximately 41,000 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 165,000.

The following table provides our quarterly market prices and cash dividends per share for 2014 and 2013:

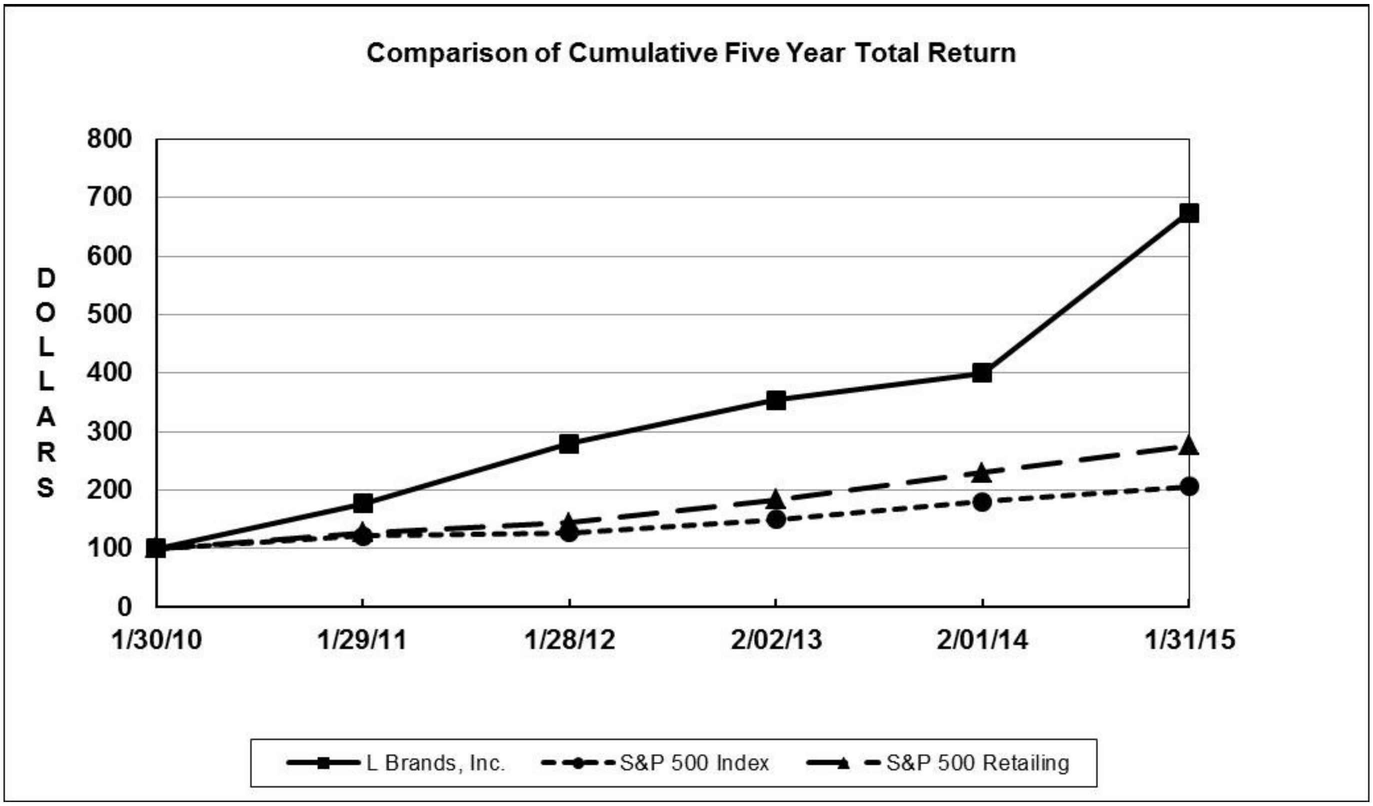
	Market Price		Cash Dividend per Share
	High	Low	
2014			
Fourth quarter	$ 87.58	$ 71.46	$ 0.34
Third quarter	73.24	57.93	0.34
Second quarter	61.95	53.03	0.34
First quarter	59.95	50.78	1.34 (a)
2013			
Fourth quarter	$ 67.12	$ 51.72	$ 0.30
Third quarter	63.05	54.73	0.30
Second quarter	58.69	48.76	0.30
First quarter	51.27	42.49	0.30

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

In February 2015, our Board of Directors declared an increase in our first quarter 2015 common stock dividend from $0.34 to $0.50 per share and a special dividend of $2 per share. Both dividends were distributed on March 6, 2015 to shareholders of record at the close of business on February 20, 2015.

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) (e)
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 30, 2010 including reinvestment of dividends.

(b) The January 31, 2015 cumulative total return includes the $1 special dividend in March 2014.

(c) The February 2, 2013 cumulative total return includes the $1 and $3 special dividends in September 2012 and December 2012, respectively.

(d) The January 28, 2012 cumulative total return includes the $1 and $2 special dividends in May 2011 and December 2011, respectively.

(e) The January 29, 2011 cumulative total return includes the $1 and $3 special dividends in March 2010 and December 2010, respectively.

The following table provides our repurchases of our common stock during the fourth quarter of 2014:

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 2014	32	$ 76.06	—	$ 131,193
December 2014	2	85.39	—	131,193
January 2015	492	81.47	491	91,194
Total	526	81.16	491	

(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				
	January 31, 2015	February 1, 2014	February 2, 2013 (a)	January 28, 2012	January 29, 2011
			(in millions)		
Summary of Operations					
Net Sales	$ 11,454	$ 10,773	$ 10,459	$ 10,364	$ 9,613
Gross Profit	4,808	4,429	4,386	4,057	3,631
Operating Income (b)	1,953	1,743	1,573	1,238	1,284
Net Income (c)	1,042	903	753	850	805
			(as a percentage of net sales)		
Gross Profit	42.0%	41.1%	41.9%	39.1%	37.8%
Operating Income	17.1%	16.2%	15.0%	11.9%	13.4%
Net Income	9.1%	8.4%	7.2%	8.2%	8.4%
Per Share Results					
Net Income Per Basic Share	$ 3.57	$ 3.12	$ 2.60	$ 2.80	$ 2.49
Net Income Per Diluted Share	$ 3.50	$ 3.05	$ 2.54	$ 2.70	$ 2.42
Dividends Per Share	$ 2.36	$ 1.20	$ 5.00	$ 3.80	$ 4.60
Weighted Average Diluted Shares Outstanding (in millions)	298	296	297	314	333
Other Financial Information			(in millions)		
Cash and Cash Equivalents	$ 1,681	$ 1,519	$ 773	$ 935	$ 1,130
Total Assets	7,544	7,198	6,019	6,108	6,451
Working Capital	1,553	1,324	667	842	1,088
Net Cash Provided by Operating Activities	1,786	1,248	1,351	1,266	1,284
Capital Expenditures	715	691	588	426	274
Long-term Debt	4,765	4,761	4,477	3,481	2,507
Other Long-term Liabilities	820	770	818	780	761
Shareholders' Equity (Deficit)	18	(370)	(1,015)	137	1,476
Comparable Store Sales Increase (d)	4%	2%	6%	10%	9%
Return on Average Assets	14%	14%	12%	14%	12%
Current Ratio	1.9	1.7	1.4	1.6	1.7
Stores and Associates at End of Year					
Number of Stores (e)	2,969	2,923	2,876	2,941	2,968
Selling Square Feet (in thousands) (e)	11,536	11,169	10,849	10,934	10,974
Number of Associates	80,100	94,600	99,400	97,000	96,500

(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 a 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.

For additional information on 2012 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.

For additional information on 2012 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 and $0.36 in 2010.

(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 2014, 2013, 2011 and 2010 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 Victoria's Secret Beauty and Accessories, Victoria's Secret International, Bath & Body Works International and La Senza International stores operated by our partners.

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 4,900 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 business 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;

We also continue to focus on:

- Attracting and retaining top talent;
- Maintaining a strong cash and liquidity position while optimizing our capital structure; and
- Returning value to our shareholders.

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

Grow our business in North America

Our first 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 2015, we plan to increase our square footage at Victoria's Secret North America by about 5% through expansions of existing stores and the opening of approximately 26 net new Victoria's Secret stores (21 in the U.S. and five in Canada). 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. In 2015, we plan to increase our square footage at Bath & Body Works North America by about 3% through expansions of existing stores and the opening of approximately 24 net new Bath & Body Works stores (14 in the U.S. and 10 in Canada). Additionally, *www.BathandBodyWorks.com* continues to exhibit significant year-over-year growth.

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 with a small number of experienced partners and a limited number of company-owned stores. In 2014, we accomplished the following:

- Victoria's Secret Beauty and Accessories Stores—Our partners opened 92 net new Victoria's Secret Beauty and Accessories stores, bringing the total to 290. These stores are located in local markets, airports and tourist destinations. These stores are focused on Victoria's Secret branded beauty and accessory products and are operated by our partners. Our partners plan to open approximately 120 additional Victoria's Secret Beauty and Accessories stores in 2015.
- Victoria's Secret International Stores—We opened three company-owned Victoria's Secret full-assortment stores and two Victoria's Secret PINK stores in the U.K., bringing the total in the U.K. to 10. In 2015, we plan to open four additional Victoria's Secret full-assortment stores in the U.K. Additionally, a partner opened nine Victoria's Secret full-assortment stores and one Victoria's Secret PINK store in the Middle East in 2014, bringing the total to 14. Our partners plan to open eight to 10 more stores in 2015, including two PINK stores.
- Bath & Body Works International Stores—Our partners opened 25 net new Bath & Body Works stores in 2014 bringing the total in the Middle East, Latin America, Southeast Asia and Eastern Europe to 80. Our partners plan to open approximately 50 additional stores in 2015.

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.

2014 Overview

We utilize the retail calendar for reporting. As such, the results for fiscal years 2014 and 2013 represent the 52-week periods ended January 31, 2015 and February 1, 2014, respectively, and fiscal year 2012 represents the 53-week period ended February 2, 2013. The 2014 and 2013 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 record performance in 2014. Our net sales increased $681 million to $11.454 billion driven by a comparable store sales increase of 4%. Our operating income increased $210 million to $1.953 billion and our operating income rate improved from 16.2% to 17.1% driven by growth in all segments.

For additional information related to our 2014 financial performance, see "Results of Operations – 2014 Compared to 2013."

We also accomplished the following in 2014:

- Increased earnings per share by 15% to $3.50;
- Increased focus on our core categories by exiting most apparel categories at Victoria's Secret Direct and the make-up business at Victoria's Secret Stores;
- Our capital expenditures of $715 million included $553 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 to expand company-owned Victoria's Secret stores in the U.K. and Canada and company-owned Bath & Body Works stores in Canada; and
- Continued to expand Bath & Body Works and Victoria's Secret stores and Victoria's Secret Beauty and Accessories stores with partners throughout the world.

We also are committed to returning value to our shareholders through a combination of dividends and share repurchase programs. During 2014, we paid $691 million in regular and special dividends and repurchased $84 million of our common stock. Additionally, in February 2015 our Board of Directors announced an increase in our regular annual dividend to $2 per share, from $1.36 per share previously. The Board of Directors also declared a special dividend of $2 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 approximately $16 billion to shareholders through share repurchases and dividends.

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 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.

	2014	2013	2012
Detail of Special Items included in Operating Income - Income (Expense)			
La Senza Goodwill and Intangible Asset Impairment Charges	$ —	$ —	$ (93)
Henri Bendel Long-lived Store Asset Impairment Charges	—	—	(27)
La Senza Restructuring Charges	—	—	(14)
Total Special Items included in Operating Income	$ —	$ —	$ (134)
Detail of Special Items included in Other Income - Income (Expense)			
Gain on Distributions from Easton Investments	$ —	$ —	$ 13
Total Special Items included in Other Income	$ —	$ —	$ 13
Detail of Special Items included in Provision for Income Taxes - Benefit (Provision)			
Tax effect of Special Items included in Operating Income	$ —	$ —	$ 12
Tax effect of Special Items included in Other Income	—	—	(5)
Total Special Items included in Provision for Income Taxes	$ —	$ —	$ 7
Reconciliation of Reported Operating Income to Adjusted Operating Income			
Reported Operating Income	$ 1,953	$ 1,743	$ 1,573
Special Items included in Operating Income	—	—	134
Adjusted Operating Income	$ 1,953	$ 1,743	$ 1,707
Reconciliation of Reported Net Income to Adjusted Net Income			
Reported Net Income	$ 1,042	$ 903	$ 753
Special Items included in Net Income	—	—	114
Adjusted Net Income	$ 1,042	$ 903	$ 867
Reconciliation of Reported Earnings Per Share to Adjusted Earnings Per Share			
Reported Earnings Per Share	$ 3.50	$ 3.05	$ 2.54
Special Items included in Earnings Per Share	—	—	0.38
Adjusted Earnings Per Share	$ 3.50	$ 3.05	$ 2.92

2015 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 2015.

Company-Owned Store Data

The following table compares 2014 company-owned store data to the comparable periods for 2013 and 2012:

	2014	2013	2012	% Change 2014	% Change 2013
Sales per Average Selling Square Foot					
Victoria’s Secret U.S.	$ 836	$ 824	$ 817	1%	1%
Bath & Body Works U.S.	774	725	718	7%	1%
Sales per Average Store (in thousands)					
Victoria’s Secret U.S.	$ 5,061	$ 4,969	$ 4,892	2%	2%
Bath & Body Works U.S.	1,828	1,714	1,701	7%	1%
Average Store Size (selling square feet)					
Victoria’s Secret U.S.	6,083	6,018	6,038	1%	—%
Bath & Body Works U.S.	2,359	2,364	2,365	—%	—%
Total Selling Square Feet (in thousands)					
Victoria’s Secret U.S.	6,679	6,379	6,153	5%	4%
Bath & Body Works U.S.	3,675	3,685	3,716	— %	(1)%

The following table compares 2014 company-owned store data to the comparable periods for 2013 and 2012:

Number of Stores	2014	2013	2012
Victoria's Secret U.S.			
Beginning of Period	1,060	1,019	1,017
Opened	45	54	22
Closed	(7)	(13)	(20)
End of Period	1,098	1,060	1,019
Victoria's Secret Canada			
Beginning of Period	34	26	19
Opened	7	8	7
Closed	—	—	—
End of Period	41	34	26
Bath & Body Works U.S.			
Beginning of Period	1,559	1,571	1,587
Opened	14	8	4
Closed	(15)	(20)	(20)
End of Period	1,558	1,559	1,571
Bath & Body Works Canada			
Beginning of Period	79	71	69
Opened	10	8	3
Closed	(1)	—	(1)
End of Period	88	79	71
Victoria's Secret U.K.			
Beginning of Period	5	2	—
Opened	5	3	2
Closed	—	—	—
End of Period	10	5	2
La Senza			
Beginning of Period	157	158	230
Opened	—	—	—
Closed (a)	(12)	(1)	(72)
End of Period	145	157	158
Henri Bendel			
Beginning of Period	29	29	19
Opened	—	—	10
Closed	—	—	—
End of Period	29	29	29
Total			
Beginning of Period	2,923	2,876	2,941
Opened	81	81	48
Closed	(35)	(34)	(113)
End of Period	2,969	2,923	2,876

(a) 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.

Noncompany-Owned Store Data

The following table compares the 2014 noncompany-owned store data to the comparable periods for 2013 and 2012:

Number of Stores	2014	2013	2012
Victoria’s Secret Beauty & Accessories			
Beginning of Period	198	108	57
Opened	99	95	53
Closed	(7)	(5)	(2)
End of Period	290	198	108
Victoria's Secret			
Beginning of Period	4	3	—
Opened	10	1	3
Closed	—	—	—
End of Period	14	4	3
Bath & Body Works			
Beginning of Period	55	38	18
Opened	26	17	20
Closed	(1)	—	—
End of Period	80	55	38
La Senza			
Beginning of Period	331	339	289
Opened	6	28	98
Closed	(71)	(36)	(48)
End of Period	266	331	339
Total			
Beginning of Period	588	488	364
Opened	141	141	174
Closed	(79)	(41)	(50)
End of Period	650	588	488

Segment Reporting Change

In the first quarter of 2014, we announced a change in our reportable segments. Results from company-owned Victoria's Secret and Bath & Body Works stores in Canada were 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 was created which includes the Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the United States and Canada. Therefore, beginning in 2014, we have 3 reportable segments: Victoria’s Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International. While this reporting change did not impact our consolidated results, the segment data has been recast to be consistent for all periods presented throughout the financial statements and accompanying footnotes and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations—2014 Compared to 2013

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2014 in comparison to 2013:

	2014	2013	Operating Income Rate 2014	Operating Income Rate 2013
	(in millions)			
Victoria's Secret	$ 1,271	$ 1,153	17.6%	16.8%
Bath & Body Works	737	648	22.0%	20.8%
Victoria's Secret and Bath & Body Works International	78	38	23.2%	17.3%
Other (a)	(133)	(96)	(23.8)%	(17.5)%
Total	$ 1,953	$ 1,743	17.1%	16.2%

(a) Includes Mast Global, La Senza, Henri Bendel and Corporate.

For 2014, operating income increased $210 million to $1.953 billion, and the operating income rate increased to 17.1% from 16.2%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2014 in comparison to 2013:

	2014	2013	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 5,700	$ 5,368	6%
Victoria's Secret Direct	1,507	1,516	(1)%
Total Victoria's Secret	7,207	6,884	5%
Bath & Body Works Stores (a)	3,048	2,868	6%
Bath & Body Works Direct	302	250	20%
Total Bath & Body Works	3,350	3,118	7%
Victoria's Secret and Bath & Body Works International (b)	336	222	51%
Other (c)	561	549	2%
Total Net Sales	$ 11,454	$ 10,773	6%

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the U.S. and Canada.
(c) Includes Mast Global, La Senza, Henri Bendel and Corporate.

The following table provides a reconciliation of net sales for 2013 to 2014:

	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
2013 Net Sales	$ 6,884	$ 3,118	$ 222	$ 549	$ 10,773
Comparable Store Sales	146	156	14	9	325
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	199	37	35	(10)	261
Foreign Currency Translation	(13)	(13)	2	(17)	(41)
Direct Channels	(9)	52	—	6	49
International Wholesale, Royalty and Other	—	—	63	24	87
2014 Net Sales	$ 7,207	$ 3,350	$ 336	$ 561	$ 11,454

The following table compares 2014 comparable store sales to 2013:

	2014	2013
Victoria's Secret (a) (b)	3%	2%
Bath & Body Works (a) (b)	6%	1%
Total Comparable Store Sales (b) (c)	4%	2%

(a) Includes company-owned stores in the U.S. and Canada.

(b) 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.

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

For 2014, our net sales increased $681 million to $11.454 billion, and comparable store sales increased 4%. The results by segment are as follows:

Victoria's Secret

For 2014, net sales increased $323 million to $7.207 billion, and comparable store sales increased 3%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased 6% due to the performance in PINK, core lingerie and sport driven by a compelling merchandise assortment that incorporated newness, innovation and fashion, as well as in-store execution. These results were partially offset by a decrease in beauty driven by the exit of the make-up category.
- At Victoria's Secret Direct, net sales were roughly flat due to the decrease in non go-forward apparel offset by increases in PINK, core lingerie, go-forward apparel, sport 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 non go-forward apparel category are declining as we reduce style counts and related inventory.

The increase in comparable store sales was driven by higher average dollar sales.

Bath & Body Works

For 2014, net sales increased $232 million to $3.350 billion, and comparable store sales increased 6%. At both Bath & Body Works Stores and Bath & Body Works Direct, net sales increased across most categories including home fragrance, Signature Collection and soaps and sanitizers, which all incorporated newness and innovation.

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

Victoria's Secret and Bath & Body Works International

For 2014, net sales increased $114 million to $336 million primarily related to the opening of new company-owned Victoria's Secret stores in the U.K. and additional stores opened by our partners.

Other

For 2014, net sales increased $12 million to $561 million primarily related to higher revenue from sales of merchandise to our international partners from Mast Global. This increase was partially offset by a decrease in net sales at La Senza.

Gross Profit

For 2014, our gross profit increased $379 million to $4.808 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 42.0% from 41.1% primarily as a result of:

Victoria's Secret

For 2014, 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 and less promotional activity. 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, 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 in the non go-forward apparel business.

The gross profit rate increase was primarily driven by an increase in the merchandise margin rate at Victoria's Secret Stores due to the decreased promotional activity, partially offset 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 2014, gross profit increased 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 higher buying and occupancy expenses due to an increase in occupancy expense driven by higher net sales and other product-related costs.
- At Bath & Body Works 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 primarily driven by an increase in the merchandise margin rate due to favorable product pricing and a decrease in the buying and occupancy expense rate due to leverage associated with higher net sales.

Victoria's Secret and Bath & Body Works International

For 2014, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales due to the opening of new stores. The increase in merchandise margin dollars was partially offset by higher buying and occupancy expenses for our company-owned stores due to an increase in occupancy expense driven by the opening of new stores, higher net sales, investments in real estate and store-related activity.

The gross profit rate increase was primarily driven by an increase in the merchandise margin rate at Victoria's Secret U.K. The increase in the merchandise margin rate was partially offset by an increase in the buying and occupancy expense rate due to deleverage associated with the increase in occupancy expense as a result of the opening of new stores.

Other

For 2014, gross profit decreased due to lower merchandise margin dollars at La Senza. The gross profit rate decrease was primarily driven by a decrease in the merchandise margin rate at La Senza, partially offset by a decrease in the buying and occupancy expense rate.

General, Administrative and Store Operating Expenses

For 2014, our general, administrative and store operating expenses increased $169 million to $2.855 billion primarily driven by an increase in store selling expenses related to higher sales volumes and an increase in incentive compensation.

The general, administrative and store operating expense rate was flat to last year.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2014 and 2013:

	2014	2013
Average daily borrowings (in millions)	$ 4,910	$ 4,614
Average borrowing rate (in percentages)	6.6%	6.8%

For 2014, our interest expense increased $10 million to $324 million primarily due to an increase in average borrowings related to the October 2013 $500 million note issuance, partially offset by a decrease in the average borrowing rate.

Other Income

For 2014, our other income decreased $10 million to $7 million primarily due to a decrease in equity method income from our investment in the third-party apparel sourcing business and certain of our investments in Easton.

Provision for Income Taxes

For 2014, our effective tax rate decreased to 36.3% from 37.5%. The 2014 and 2013 rates were lower than our combined estimated federal and state statutory rate primarily due to foreign earnings taxed at a rate lower than our combined estimated federal and state statutory rate.

Results of Operations—Fourth Quarter of 2014 Compared to Fourth Quarter of 2013

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 2014 in comparison to the fourth quarter of 2013:

	Fourth Quarter		Operating Income Rate	
	2014	2013	2014	2013
	(in millions)			
Victoria’s Secret	$ 509	$ 463	21.2%	20.1%
Bath & Body Works	449	396	32.0%	30.9%
Victoria's Secret and Bath & Body Works International	29	16	27.9%	22.2%
Other (a)	(30)	(12)	(20.1)%	(8.0)%
Total	$ 957	$ 863	23.5%	22.6%

(a) Includes Mast Global, La Senza, Henri Bendel and Corporate.

For the fourth quarter of 2014, operating income increased $94 million to $957 million, and the operating income rate increased to 23.5% from 22.6%. 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 2014 in comparison to the fourth quarter of 2013:

Fourth Quarter	2014	2013	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 1,914	$ 1,798	6%
Victoria's Secret Direct	492	504	(2)%
Total Victoria's Secret	2,406	2,302	5%
Bath & Body Works Stores (a)	1,277	1,182	8%
Bath & Body Works Direct	127	101	25%
Total Bath & Body Works	1,404	1,283	9%
Victoria's Secret and Bath & Body Works International (b)	106	75	40%
Other (c)	153	158	(3)%
Total Net Sales	$ 4,069	$ 3,818	7%

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the U.S. and Canada.
(c) Includes Mast Global, La Senza, Henri Bendel and Corporate.

The following table provides a reconciliation of net sales for the fourth quarter of 2013 to the fourth quarter of 2014:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
			(in millions)		
2013 Net Sales	$ 2,302	$ 1,283	$ 75	$ 158	$ 3,818
Comparable Store Sales	59	91	4	4	158
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	63	10	12	(6)	79
Foreign Currency Translation	(6)	(6)	(2)	(6)	(20)
Direct Channels	(12)	26	—	3	17
International, Wholesale, Royalty and Other	—	—	17	—	17
2014 Net Sales	$ 2,406	$ 1,404	$ 106	$ 153	$ 4,069

The following table compares fourth quarter of 2014 comparable store sales to fourth quarter of 2013:

Fourth Quarter	2014	2013
Victoria's Secret (a) (b)	4%	2%
Bath & Body Works (a) (b)	8%	(1)%
Total Comparable Store Sales (b) (c)	6%	1%

(a) Includes company-owned stores in the U.S. and Canada.
(b) 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.
(c) Includes Victoria's Secret U.S., Victoria's Secret Canada, Bath & Body Works U.S., Bath & Body Works Canada, Victoria's Secret U.K., La Senza and Henri Bendel.

For the fourth quarter of 2014, our net sales increased $251 million to $4.069 billion, and comparable store sales increased 6%. The results by segment are as follows:

Victoria's Secret

For the fourth quarter of 2014, net sales increased $104 million to $2.406 billion, and comparable store sales increased 4%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased 6% due to the performance in PINK, core lingerie and sport driven by a compelling merchandise assortment that incorporated newness, innovation and fashion, as well as in-store execution. These results were partially offset by a decrease in beauty driven by the exit of the make-up category.
- At Victoria's Secret Direct, net sales decreased 2% due to the decrease in non go-forward apparel partially offset by increases in PINK, core lingerie, go-forward apparel, sport 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 non go-forward apparel category are declining as we reduce style counts and related inventory.

The increase in comparable store sales was driven by higher average dollar sales.

Bath & Body Works

For the fourth quarter of 2014, net sales increased $121 million to $1.404 billion, and comparable store sales increased 8%. The net sales result was primarily driven by:

- At Bath & Body Works Stores, net sales increased 8% related to increases across most categories including home fragrance, soaps and sanitizers, Signature Collection and giftsets.
- At Bath & Body Works Direct, net sales increased 25% related to 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.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2014, net sales increased $31 million to $106 million primarily related to the opening of new company-owned Victoria's Secret stores in the U.K. and additional stores opened in other parts of the world by our partners.

Other

For the fourth quarter of 2014, net sales decreased $5 million to $153 million primarily related to a decrease in net sales at La Senza.

Gross Profit

For the fourth quarter of 2014, our gross profit increased $193 million to $1.835 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 45.1% from 43.0% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2014, 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 and less promotional activity. 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, investments in real estate and store-related activity.
- At Victoria's Secret Direct, gross profit was roughly flat to last year. An increase in gross profit, due to higher merchandise margin dollars primarily due to increases in net sales in the core categories of PINK, core lingerie, go-forward apparel and sport, was offset by a decrease in net sales in the non go-forward apparel business.

The gross profit rate increase was primarily driven by an increase in the merchandise margin rate at Victoria's Secret Stores due to the decreased promotional activity, partially offset 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 2014, gross profit increased 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 higher buying and occupancy expenses due to an increase in occupancy expense 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 gross profit rate increase was primarily driven by an increase in the merchandise margin rate due to favorable product pricing and a decrease in the buying and occupancy expense rate due to leverage associated with higher net sales.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2014, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales due to the opening of new stores. The increase in merchandise margin dollars was partially offset by higher buying and occupancy expenses for our company-owned stores due to an increase in occupancy expense driven by higher net sales, investments in real estate and store-related activity.

The gross profit rate increase was primarily driven by an increase in the merchandise margin rate at Victoria's Secret U.K. The increase in the merchandise margin rate was partially offset by an increase in the buying and occupancy expense rate due to deleverage associated with the increase in occupancy expense as a result of the opening of new stores.

Other

For the fourth quarter of 2014, the gross profit increase was primarily driven by an increase in merchandise margin dollars at La Senza due to less promotional activity, favorable product pricing and improved inventory management. The gross profit rate increase was driven by an increase in the merchandise margin rate at La Senza primarily due to less promotional activity, favorable product pricing and improved inventory management.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2014, our general, administrative and store operating expenses increased $99 million to $878 million primarily driven by an increase in incentive compensation and increases in store selling expenses related to higher sales volumes.

The general, administrative and store operating expense rate increased to 21.6% from 20.4% due to the factors cited above.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2014 and 2013:

Fourth Quarter	2014	2013
Average daily borrowings (in millions)	$ 4,750	$ 4,963
Average borrowing rate (in percentages)	6.6%	6.7%

For the fourth quarter of 2014, our interest expense decreased $4 million to $78 million primarily driven by a decrease in the average borrowings related to the $213 million repayment of the November 2014 Notes as well as a decrease in the average borrowing rate.

Other Income

For the fourth quarter of 2014, our other income decreased $5 million primarily due to a decrease in equity method income from our investment in the third-party apparel sourcing business.

Provision for Income Taxes

For the fourth quarter of 2014, our effective tax rate decreased to 35.8% from 37.8%. The 2014 and 2013 rates were lower than our combined estimated federal and state statutory rate primarily due to foreign earnings taxed at a rate lower than our combined estimated federal and state statutory rate.

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:

	2013	2012	Operating Income Rate 2013	Operating Income Rate 2012
	(in millions)			
Victoria's Secret	$ 1,153	$ 1,207	16.8%	17.9%
Bath & Body Works	648	629	20.8%	20.5%
Victoria's Secret and Bath & Body Works International	38	4	17.3%	2.8%
Other (a) (b) (c) (d)	(96)	(267)	(17.5)%	(52.1)%
Total	$ 1,743	$ 1,573	16.2%	15.0%

(a) Includes Mast Global, La Senza, 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 (d)	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 5,368	$ 5,147	4%
Victoria's Secret Direct	1,516	1,593	(5)%
Total Victoria's Secret	6,884	6,740	2%
Bath & Body Works Stores (a)	2,868	2,858	—%
Bath & Body Works Direct	250	216	16%
Total Bath & Body Works	3,118	3,074	1%
Victoria's Secret and Bath & Body Works International (b)	222	132	68%
Other (c)	549	513	7%
Total Net Sales	$ 10,773	$ 10,459	3%

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the U.S. and Canada.
(c) Includes Mast Global, La Senza, Henri Bendel and Corporate.
(d) 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	Victoria's Secret and Bath & Body Works International	Other	Total
			(in millions)		
2012 Net Sales	$ 6,740	$ 3,074	$ 132	$ 513	$ 10,459
Comparable Store Sales	107	37	7	3	154
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	123	(18)	49	(22)	132
Foreign Currency Translation	(9)	(9)	(1)	(11)	(30)
Direct Channels	(77)	34	—	3	(40)
International Wholesale, Royalty and Other	—	—	35	63	98
2013 Net Sales	$ 6,884	$ 3,118	$ 222	$ 549	$ 10,773

The following table compares 2013 comparable store sales to 2012:

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

(a) Includes company-owned stores in the U.S. and Canada.

(b) 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.

(c) Includes Victoria's Secret U.S., Victoria's Secret Canada, Bath & Body Works U.S., Bath & Body Works Canada, Victoria's Secret U.K., La Senza 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 $144 million to $6.884 billion, and comparable store sales increased 2%. 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, core lingerie and swimwear, 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 $44 million to $3.118 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.

Victoria's Secret and Bath & Body Works International

For 2013, net sales increased $90 million to $222 million primarily related to the opening of new company-owned Victoria's Secret stores in the U.K. and additional stores opened in other parts of the world by our partners.

Other

For 2013, net sales increased $36 million to $549 million primarily related to higher revenue from sales of merchandise to our international partners from Mast Global. 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 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 was roughly flat 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 a slight 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.

Victoria's Secret and Bath & Body Works International

For 2013, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales due to the opening of new stores. The increase in merchandise margin dollars was partially offset by higher buying and occupancy expenses for our company-owned stores due to an increase in occupancy expense driven by higher net sales, investments in real estate and store-related activity.

The gross profit rate increase was primarily driven by an increase in the merchandise margin rate at Victoria's Secret U.K. The increase in the merchandise margin rate was partially offset by an increase in the buying and occupancy expense rate due to deleverage associated with the increase in occupancy expense as a result of the opening of new stores.

Other

For 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 and the $13 million in store closure restructuring charges related to our La Senza business that both occurred in 2012. The gross profit increase was also driven by higher merchandise margin dollars related to the increase in net sales at Mast Global. 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 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 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	$ 463	$ 507	20.1%	21.9%
Bath & Body Works	396	416	30.9%	31.4%
Victoria's Secret and Bath & Body Works International	16	9	22.2%	16.1%
Other (a) (b) (c)	(12)	(144)	(8.0)%	(86.1)%
Total	$ 863	$ 788	22.6%	20.4%

(a) Includes Mast Global, La Senza, 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 (d)	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 1,798	$ 1,779	1%
Victoria's Secret Direct	504	533	(5)%
Total Victoria's Secret	2,302	2,312	—%
Bath & Body Works Stores (a)	1,182	1,231	(4)%
Bath & Body Works Direct	101	93	9%
Total Bath & Body Works	1,283	1,324	(3)%
Victoria's Secret and Bath & Body Works International (b)	75	53	42%
Other (c)	158	167	(5)%
Total Net Sales	$ 3,818	$ 3,856	(1%)

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the U.S. and Canada.
(c) Includes Mast Global, La Senza, Henri Bendel and Corporate.
(d) 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	Victoria's Secret and Bath & Body Works International	Other	Total
			(in millions)		
2012 Net Sales	$ 2,312	$ 1,324	$ 53	$ 167	$ 3,856
Comparable Store Sales	37	(7)	5	(3)	32
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(12)	(36)	8	(7)	(47)
Foreign Currency Translation	(6)	(6)	1	(5)	(16)
Direct Channels	(29)	8	—	1	(20)
International Wholesale, Royalty and Other	—	—	8	5	13
2013 Net Sales	$ 2,302	$ 1,283	$ 75	$ 158	$ 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 (a) (b)	2%	3%
Bath & Body Works (a) (b)	(1)%	8%
Total Comparable Store Sales (b) (c)	1%	5%

(a) Includes company-owned stores in the U.S. and Canada.

(b) 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.

(c) Includes Victoria's Secret U.S., Victoria's Secret Canada, Bath & Body Works U.S., Bath & Body Works Canada, Victoria's Secret U.K., La Senza 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 $10 million to $2.302 billion, and comparable store sales increased 2%. 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.
- 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 $41 million to $1.283 billion, and comparable store sales decreased 1%. The net sales result was primarily driven by:

- At Bath & Body Works Stores, net sales decreased 4% 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.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2013, net sales increased $22 million to $75 million primarily related to the opening of new company-owned Victoria's Secret stores in the U.K. and additional stores opened in other parts of the world by our partners.

Other

For the fourth quarter of 2013, net sales decreased $9 million to $158 million primarily related to a decrease in net sales at La Senza due to the impact of foreign currency and store closures. This decrease was partially offset by higher revenue from sales of merchandise to our international partners from Mast Global.

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 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.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2013, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales due to the opening of new stores. The increase in merchandise margin dollars was partially offset by higher buying and occupancy expenses for our company-owned stores due to an increase in occupancy expense driven by higher net sales, investments in real estate and store-related activity.

The gross profit rate decrease was primarily driven by an increase in the buying and occupancy expense rate due to deleverage associated with the increase in occupancy expense due to the opening of new stores.

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 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. 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 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 primarily due to the impairment of La Senza's goodwill and other intangible assets for which no tax benefit was recognized.

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 2014, we paid $691 million in regular and special dividends and repurchased $84 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 $212 million as of January 31, 2015. 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 January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(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
$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount (“2019 Notes”) (a)	501	494
$400 million, 7.00% Fixed Interest Rate Notes due May 2020 (“2020 Notes”)	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	$ 3,401	$ 3,394
Senior Unsecured Debt		
$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount (“2017 Notes”) (b)	$ 715	$ 718
$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
Total Senior Unsecured Debt	$ 1,364	$ 1,582
Total	$ 4,765	$ 4,976
Current Portion of Long-term Debt	—	(215)
Total Long-term Debt, Net of Current Portion	$ 4,765	$ 4,761

(a) The balance includes a fair value interest rate hedge adjustment which increased the debt balance by $8 million as of January 31, 2015 and $2 million as of February 1, 2014.
(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $15 million as of January 31, 2015 and $19 million as of February 1, 2014.
(c) The outstanding principal balance was $213 million as of February 1, 2014. This balance includes a fair value interest rate hedge adjustment which increased the debt balance by $2 million.

Issuance of Notes

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 can be issued. The 2022 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries ("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, 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.

Repayment of Notes

In November 2014, we repaid the remaining $213 million of our 5.25% Senior Unsecured Notes due November 2014 with cash on hand.

Revolving Facility

In July 2014, we entered into an amendment and restatement ("Amendment") of our secured revolving credit facility ("Revolving Facility"). The Amendment maintains the aggregate amount of the commitments of the lenders under the Revolving Facility at $1 billion and extends the termination date from July 15, 2016 to July 18, 2019. In addition, the Amendment allows certain of our non-U.S. subsidiaries to issue loans and obtain letters of credit in U.S. dollars, Canadian dollars or British pounds.

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 0.30% per annum, and the fees related to outstanding letters of credit are 1.50% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings and British pound borrowings is London Interbank Offered Rate ("LIBOR") plus 1.50%. The interest rate on outstanding Canadian dollar borrowings is Canadian Dollar Offered Rate ("CDOR") plus 1.50%.

We incurred fees related to the Amendment of the Revolving Facility of $5 million, which were capitalized and are being amortized over the remaining term of the Revolving Facility.

The Revolving Facility continues to contain 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 January 31, 2015, we were in compliance with both of our financial covenants. The ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00, and no default or event of default existed.

During the second quarter of 2014 and the third quarter of 2013, we borrowed and repaid $5 million and $290 million, respectively, under the Revolving Facility. The maximum daily amount outstanding at any point in time during the second quarter of 2014 and third quarter of 2013 was $5 million and $140 million, respectively.

As of January 31, 2015, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports our letter of credit program. We had $19 million of outstanding letters of credit as of January 31, 2015 that reduce our remaining availability under our amended credit agreements.

Fair Value Interest Rate Swap Arrangements

In July 2014, we entered into interest rate swap arrangements related to $100 million of the outstanding 2017 Notes and $100 million of the outstanding 2019 Notes. 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 prior periods, we entered into interest rate swap arrangements on the 2014 and 2017 Notes. In 2012, we terminated these interest rate designated fair value hedges. The carrying values of these 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 January 31, 2015, February 1, 2014 and February 2, 2013:

	January 31, 2015	February 1, 2014	February 2, 2013
		(in millions)	
Cash Provided by Operating Activities	$ 1,786	$ 1,248	$ 1,351
Capital Expenditures	715	691	588
Working Capital	1,553	1,324	667
Capitalization:			
Long-term Debt	4,765	4,761	4,477
Shareholders' Equity (Deficit)	18	(370)	(1,015)
Total Capitalization	4,783	4,391	3,462
Remaining Amounts Available Under Credit Agreements (a)	981	992	988

(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 $19 million, $8 million and $12 million as of January 31, 2015, February 1, 2014 and February 2, 2013, respectively.

The following table provides certain measures of liquidity and capital resources as of January 31, 2015, February 1, 2014 and February 2, 2013:

	January 31, 2015	February 1, 2014	February 2, 2013
Debt-to-capitalization Ratio (a)	100%	108%	129%
Cash Flow to Capital Investment (b)	250%	181%	230%

(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 January 31, 2015:

	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 2014, 2013 and 2012:

		Shares Repurchased			Amount Repurchased			
Repurchase Program	**Amount Authorized**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**	**Average Stock Price of Shares Repurchased within Program**
	(in millions)		(in thousands)			(in millions)		
November 2012 (a)	$ 250	1,317	1,377	245	$ 84	$ 63	$ 11	$ 54.02
February 2012 (b)	500	NA	NA	9,871	NA	NA	450	45.61
November 2011	250	NA	NA	3,657	NA	NA	164	44.90
Total		1,317	1,377	13,773	$ 84	$ 63	$ 625	

(a) The November 2012 repurchase program had $91 million remaining as of January 31, 2015.
(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.
NA Not applicable

There were no share repurchases reflected in Accounts Payable on the January 31, 2015 Consolidated Balance Sheet. There were $3 million share repurchases reflected in Accounts Payable as of February 1, 2014.

Subsequent to January 31, 2015, our Board of Directors approved a new $250 million share repurchase program ("February 2015 repurchase program"), which included the $91 million remaining under the November 2012 repurchase program. We repurchased an additional 0.2 million shares of common stock for $22 million under the February 2015 repurchase program subsequent to January 31, 2015.

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 2014, 2013 and 2012:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2014				
Fourth Quarter	$ 0.34	$ —	$ 0.34	$ 100
Third Quarter	0.34	—	0.34	100
Second Quarter	0.34	—	0.34	99
First Quarter	0.34	1.00	1.34	392
2014 Total	$ 1.36	$ 1.00	$ 2.36	$ 691
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

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 January 31, 2015, our Board of Directors declared an increase in our first quarter 2015 ordinary dividend from $0.34 to $0.50 per share and a special dividend of $2 per share. Both dividends, totaling $731 million, were paid on March 6, 2015 to shareholders of record at the close of business on February 20, 2015.

Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013:

	2014	2013	2012
		(in millions)	
Cash and Cash Equivalents, Beginning of Year	$ 1,519	$ 773	$ 935
Net Cash Flows Provided by Operating Activities	1,786	1,248	1,351
Net Cash Flows Used for Investing Activities	(699)	(655)	(531)
Net Cash Flows Provided by (Used for) Financing Activities	(919)	154	(982)
Effect of Exchange Rate Changes on Cash	(6)	(1)	—
Net Increase (Decrease) in Cash and Cash Equivalents	162	746	(162)
Cash and Cash Equivalents, End of Year	$ 1,681	$ 1,519	$ 773

Operating Activities

Net cash provided by operating activities in 2014 was $1.786 billion, including net income of $1.042 billion. Net income included depreciation and amortization of $438 million, share-based compensation expense of $90 million and a decrease in deferred income taxes of $50 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 a decrease in inventories of $121 million.

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. Net income included depreciation and amortization of $389 million, excess tax benefits from share-based compensation of $116 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.

Investing Activities

Net cash used for investing activities in 2014 was $699 million consisting primarily of $715 million of capital expenditures. The capital expenditures included $553 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 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.

We anticipate spending approximately $800 to $850 million for capital expenditures in 2015 with the majority relating to opening new stores and remodeling and improving existing stores. We expect to open approximately 75 new company-owned stores in 2015, primarily in Canada and the U.S.

Financing Activities

Net cash used for financing activities in 2014 was $919 million consisting primarily of quarterly and special dividend payments totaling $2.36 per share, or $691 million, the repayment of long-term debt of $213 million and repurchases of common stock of $87 million. These were partially offset by excess tax benefits from share-based compensation of $43 million and proceeds from the exercise of stock options of $34 million.

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 totaling $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 totaling $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.

Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of January 31, 2015:

	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)	$ 7,285	$ 317	$ 1,309	$ 1,015	$ 4,644	$ —
Operating Lease Obligations (b)	3,870	588	1,050	777	1,455	—
Purchase Obligations (c)	1,213	1,173	32	5	3	—
Other Liabilities (d)	477	147	1	—	—	329
Total	$ 12,845	$ 2,225	$ 2,392	$ 1,797	$ 6,102	$ 329

(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 January 31, 2015. 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 $257 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 $142 million of these tax items because it is reasonably possible that the amounts could change in the next 12 months due to audit settlements or resolution of uncertainties. The remaining portion totaling $72 million is included in the “Other” category as it is not reasonably possible that the amounts could change in the next 12 months. For additional information, see Note 10 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 $24 million related to lease payments of Express, Limited Stores, 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)	
2015	$ 11
2016	7
2017	4
2018	2
2019	—
Thereafter	—
Total	$ 24

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 $11 million as of January 31, 2015 and $22 million as of February 1, 2014. The estimated fair value of these guarantee obligations was $1 million as of January 31, 2015 and $1 million as of February 1, 2014, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

Our guarantees related to 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 the divestiture. We have not recorded a liability with respect to any of the guarantee obligations as we concluded that payments under these guarantees were not probable as of January 31, 2015 and February 1, 2014.

In connection with our investment in Easton Gateway, LLC ("EG"), an entity that owns and is developing a commercial shopping center in the Easton Community, we, along with another unaffiliated member, provided a guarantee of interest, certain expenses and a completion guarantee on the construction of the commercial shopping center. Our estimated maximum potential loss from our involvement with EG totaled $44 million as of January 31, 2015, which includes our equity investment of $34 million and our estimated maximum potential loss from our guarantees related to EG's construction loan of $10 million. The estimated fair value of these guarantee obligations is not significant. We expect EG to obtain permanent financing, prior to maturity of the construction loan, following completion of construction of the commercial shopping center. For additional information, see Note 8, "Equity Investments and Other" and Note 16, "Commitments and Contingencies" to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

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 2014. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately $3 million for 2014.

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 in the 2012 Consolidated Statement of Income. Based on the evaluation performed in the fourth quarter of 2014 and 2013, we concluded that no impairment charge was necessary in 2014 or 2013. The remaining carrying value of the Henri Bendel long-lived stores assets was $4 million and $5 million as of January 31, 2015 and February 1, 2014, 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 Accounting Standards Codification ("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 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 consider permanent differences between book and tax income and statutory income tax rates. 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.

Royalty and Other

We also recognize revenues associated with franchise, license and wholesale arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the partner.

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 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 expose 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 remaining swap arrangements mature in January 2016 and January 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. Although we utilize foreign currency forward contracts to partially offset these risks, these measures may not succeed in offsetting all of the short-term impact of foreign currency rate movements and generally may not be effective in offsetting the long-term impact of sustained shifts in foreign currency rates.

Further, although our royalty arrangements with our international partners are denominated in U.S. dollars, the royalties we receive in U.S. dollars are calculated based on sales in the local currency. As a result, our royalties in these arrangements are exposed to foreign currency exchange rate fluctuations.

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 objectives 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 January 31, 2015 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 January 31, 2015, we have interest rate swap arrangements with notional amounts of $300 million related to a portion of our 2017 Notes and $300 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 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 January 31, 2015, 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 January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Long-term Debt (a):		
Carrying Value	$ 4,765	$ 4,976
Fair Value, Estimated (b)	5,305	5,333
Cross-currency Swap Arrangements (c)	(21)	13
Fixed-to-Floating Interest Rate Swap Arrangements (c)	(12)	(5)

(a) The decrease in the long-term debt is related to the repayment of the November 2014 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.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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 2014 and 2013 refer to the 52-week periods ending January 31, 2015 and February 1, 2014, 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 January 31, 2015. 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 (2013 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 January 31, 2015.

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 January 31, 2015.

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 January 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 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 January 31, 2015, 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 January 31, 2015 and February 1, 2014, 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 January 31, 2015 of L Brands, Inc., and our report dated March 20, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 20, 2015

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 January 31, 2015 and February 1, 2014, 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 January 31, 2015. 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 January 31, 2015 and February 1, 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 2015, 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 January 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 20, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 20, 2015

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions except per share amounts)

	2014	2013	2012
Net Sales	$ 11,454	$ 10,773	$ 10,459
Costs of Goods Sold, Buying and Occupancy	(6,646)	(6,344)	(6,073)
Gross Profit	4,808	4,429	4,386
General, Administrative and Store Operating Expenses	(2,855)	(2,686)	(2,720)
Impairment of Goodwill and Other Intangible Assets	—	—	(93)
Operating Income	1,953	1,743	1,573
Interest Expense	(324)	(314)	(316)
Other Income	7	17	24
Income Before Income Taxes	1,636	1,446	1,281
Provision for Income Taxes	594	543	528
Net Income	$ 1,042	$ 903	$ 753
Net Income Per Basic Share	$ 3.57	$ 3.12	$ 2.60
Net Income Per Diluted Share	$ 3.50	$ 3.05	$ 2.54

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	2014	2013	2012
Net Income	$ 1,042	$ 903	$ 753
Other Comprehensive Income (Loss), Net of Tax:			
Reclassification of Cash Flow Hedges to Earnings	(60)	(50)	5
Foreign Currency Translation	21	40	(2)
Unrealized Gain on Cash Flow Hedges	34	46	1
Total Other Comprehensive Income (Loss), Net of Tax	(5)	36	4
Total Comprehensive Income	$ 1,037	$ 939	$ 757

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

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L BRANDS, INC.

CONSOLIDATED BALANCE SHEETS

(in millions except per share amounts)

	January 31, 2015	February 1, 2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,681	$ 1,519
Accounts Receivable, Net	252	244
Inventories	1,036	1,165
Deferred Income Taxes	33	28
Other	230	194
Total Current Assets	3,232	3,150
Property and Equipment, Net	2,277	2,045
Goodwill	1,318	1,318
Trade Names and Other Intangible Assets, Net	411	411
Other Assets	306	274
Total Assets	$ 7,544	$ 7,198
LIABILITIES AND EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	$ 613	$ 599
Accrued Expenses and Other	900	787
Current Portion of Long-term Debt	—	215
Income Taxes	166	225
Total Current Liabilities	1,679	1,826
Deferred Income Taxes	261	210
Long-term Debt	4,765	4,761
Other Long-term Liabilities	820	770
Shareholders’ Equity (Deficit):		
Preferred Stock—$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—$0.50 par value; 1,000 shares authorized; 310 and 307 shares issued; 292 and 291 shares outstanding, respectively	155	154
Paid-in Capital	427	302
Accumulated Other Comprehensive Income	35	40
Retained Earnings (Accumulated Deficit)	233	(118)
Less: Treasury Stock, at Average Cost; 18 and 16 shares, respectively	(832)	(748)
Total L Brands, Inc. Shareholders’ Equity (Deficit)	18	(370)
Noncontrolling Interest	1	1
Total Equity (Deficit)	19	(369)
Total Liabilities and Equity (Deficit)	$ 7,544	$ 7,198

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		Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
	Shares Outstanding	Par Value						
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)
Net Income	—	—	—	—	1,042	—	—	1,042
Other Comprehensive Income (Loss)	—	—	—	(5)	—	—	—	(5)
Total Comprehensive Income	—	—	—	(5)	1,042	—	—	1,037
Cash Dividends ($2.36 per share)	—	—	—	—	(691)	—	—	(691)
Repurchase of Common Stock	(1)	—	—	—	—	(84)	—	(84)
Exercise of Stock Options and Other	2	1	125	—	—	—	—	126
Balance, January 31, 2015	292	$ 155	$ 427	$ 35	$ 233	$ (832)	$ 1	$ 19

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

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	2014	2013	2012
Operating Activities			
Net Income	$ 1,042	$ 903	$ 753
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization of Long-lived Assets	438	407	389
Amortization of Landlord Allowances	(40)	(39)	(35)
Deferred Income Taxes	50	18	11
Share-based Compensation Expense	90	85	73
Excess Tax Benefits from Share-based Compensation	(43)	(36)	(116)
Goodwill and Intangible Asset Impairment Charges	—	—	93
Long-lived Store Asset Impairment Charges	—	—	27
Gain on Distributions from Easton Investments	—	—	(13)
Gain on Sale of Assets	—	—	(3)
Changes in Assets and Liabilities:			
Accounts Receivable	(9)	(43)	5
Inventories	121	(168)	(7)
Accounts Payable, Accrued Expenses and Other	90	1	(43)
Income Taxes Payable	(17)	74	139
Other Assets and Liabilities	64	46	78
Net Cash Provided by Operating Activities	1,786	1,248	1,351
Investing Activities			
Capital Expenditures	(715)	(691)	(588)
Return of Capital from Third-party Apparel Sourcing Business Investment	—	46	22
Return of Capital from Easton Investments	—	—	13
Other Investing Activities	16	(10)	22
Net Cash Used for Investing Activities	(699)	(655)	(531)
Financing Activities			
Payments of Long-term Debt	(213)	—	(57)
Proceeds from Long-term Debt, Net of Issuance Costs	—	495	985
Borrowings from Revolving Facility	5	290	—
Repayments on Revolving Facility	(5)	(290)	—
Financing Costs	(5)	—	—
Repurchase of Common Stock	(87)	(60)	(629)
Dividends Paid	(691)	(349)	(1,449)
Excess Tax Benefits from Share-based Compensation	43	36	116
Proceeds from Exercise of Stock Options and Other	34	32	52
Net Cash Provided by (Used for) Financing Activities	(919)	154	(982)
Effects of Exchange Rate Changes on Cash	(6)	(1)	—
Net Increase (Decrease) in Cash and Cash Equivalents	162	746	(162)
Cash and Cash Equivalents, Beginning of Year	1,519	773	935
Cash and Cash Equivalents, End of Year	$ 1,681	$ 1,519	$ 773

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 U.S., Canada and the U.K., which are primarily mall-based, and through its websites 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
- 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, "2014" and "2013" refer to the 52-week periods ending January 31, 2015 and February 1, 2014, 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 reviewed 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 a majority 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."

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 $42 million as of January 31, 2015 and $62 million as of February 1, 2014, 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, in the store or when the advertising is mailed. Advertising and catalogue costs totaled $436 million for 2014, $452 million for 2013 and $460 million for 2012.

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 $142 million as of January 31, 2015 and $131 million as of February 1, 2014. 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 $192 million as of January 31, 2015 and $181 million as of February 1, 2014, 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, the Company considers permanent differences between book and tax income and statutory income tax rates. 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 recognize revenues associated with franchise, license and wholesale arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the partner.

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. New Accounting Pronouncement

Revenue Recognition from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance will be effective beginning in fiscal 2017, and early adoption is not permitted. The standard allows for either a full retrospective or a modified retrospective transition method. The Company is currently evaluating the impact of this standard, including the transition method, on its consolidated results of operations, financial position and cash flows.

3. 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 2014, 2013 and 2012:

	2014	2013	2012
		(in millions)	
Weighted-average Common Shares:			
Issued Shares	309	306	302
Treasury Shares	(17)	(16)	(12)
Basic Shares	292	290	290
Effect of Dilutive Options and Restricted Stock	6	6	7
Diluted Shares	298	296	297
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.

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. 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. During 2014, the Company made cash payments of $1 million, thereby completing the program.

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, in 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. During 2014, the Company made cash payments of $1 million. The remaining balance of $1 million is included in Other Long-term Liabilities on the January 31, 2015 Consolidated Balance Sheet.

5. Inventories

The following table provides details of inventories as of January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Finished Goods Merchandise	$ 942	$ 1,073
Raw Materials and Merchandise Components	94	92
Total Inventories	$ 1,036	$ 1,165

6. Property and Equipment, Net

The following table provides details of property and equipment, net as of January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Land	$ 87	$ 58
Buildings and Improvements	413	408
Furniture, Fixtures, Software and Equipment	3,169	2,984
Leasehold Improvements	1,647	1,534
Construction in Progress	164	117
Total	5,480	5,101
Accumulated Depreciation and Amortization	(3,203)	(3,056)
Property and Equipment, Net	$ 2,277	$ 2,045

Depreciation expense was $438 million in 2014, $406 million in 2013 and $386 million in 2012.

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 quarters of 2013 and 2014, the Company concluded no additional impairment charge was necessary. The carrying value of the Henri Bendel long-lived store assets was $4 million and $5 million as of January 31, 2015 and February 1, 2014, respectively.

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

Goodwill

The following table provides detail regarding the composition of goodwill for the fiscal years ended January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Victoria's Secret	$ 690	$ 690
Bath & Body Works	628	628
Goodwill	$ 1,318	$ 1,318

The Company tests for goodwill impairment at the reporting unit level. The Company's reporting units with goodwill balances at January 31, 2015 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 January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(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 were fully amortized in 2013, as such there was no amortization expense in 2014. Amortization expense was $1 million for 2013 and $3 million for 2012.

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.

Since acquiring La Senza in January 2007, the Company completed impairment testing annually in the fourth quarter. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill. In both 2008 and 2011, La Senza's operating results failed to meet the Company's expectations. As a result, 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 goodwill impairment charges of $189 million and $119 million in 2008 and 2011, respectively.

Prior to completing the goodwill impairment evaluation each year, the Company performed its annual impairment analysis for its indefinite-lived trade name. Based on its evaluation using a relief from royalty and other discounted cash flow methodologies, the Company concluded that the La Senza indefinite-lived trade name was impaired. Accordingly, the Company recorded impairment charges of $25 million and $112 million in 2008 and 2011, respectively, to reduce the carrying value of the indefinite-lived trade name asset to its estimated fair value.

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 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 in 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 in the 2012 Consolidated Statement of Income.

8. Equity Investments and Other

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested a majority ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners. The Company's remaining ownership interest is accounted for under the equity method of accounting.

In conjunction with the transaction, the Company entered into transition services agreements whereby the Company was providing support in various operational areas including logistics, technology and finance through the third quarter of 2014. In the fourth quarter of 2014, the Company extended the transition services agreements in the operational areas of logistics and technology. The terms of these agreements range from one to two years with the last agreement expiring in October 2016.

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.

In 2014, the Company received $2 million in dividends from the third-party apparel sourcing business. These dividends reduced the Company's carrying value in the investment and are included in Other Assets and Liabilities within the Operating Activities section of the 2014 Consolidated Statement of Cash Flows.

The Company's carrying value for this investment was $8 million as of January 31, 2015 and $3 million as of February 1, 2014 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.

Subsequent to January 31, 2015, the Company divested its remaining ownership interest in the third-party apparel sourcing business to Sycamore Partners. The sale of the remaining ownership interest resulted in pre-tax cash proceeds of $85 million and a gain of approximately $78 million (after-tax gain of approximately $70 million) which will be recognized in the first quarter of 2015.

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 $101 million as of January 31, 2015 and $105 million as of February 1, 2014 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.

Also included in the Company's Easton investments is an equity interest in Easton Gateway, LLC ("EG"), an entity that owns and is developing a commercial shopping center in the Easton Community. The Company has a majority financial interest in EG, but another unaffiliated member manages the activities that most significantly impact the economic performance of EG including leasing, tenant relationships and maintenance of the center. Certain significant decisions regarding EG require the consent of the unaffiliated member in addition to the Company. In April 2014, EG entered into a construction loan for financing related to the development of the commercial shopping center that matures in April 2017. In conjunction with the EG loan, the Company, along with the unaffiliated member, provided a guarantee of interest, certain expenses and a completion guarantee on the construction of the commercial shopping center.

The Company has concluded EG is a variable interest entity; however, the Company is not the primary beneficiary as defined in ASC Topic 810, *Consolidation,* and, therefore, accounts for its investment in EG using the equity method of accounting. The Company’s investment in EG totaled $34 million as of January 31, 2015. The Company’s estimated maximum potential loss from its involvement with EG totaled $44 million. This includes the Company’s equity investment of $34 million and the Company’s estimated maximum potential loss from its guarantees related to EG's construction loan of $10 million. The estimated fair value of these guarantee obligations is not significant.

9. Accrued Expenses and Other

The following table provides additional information about the composition of accrued expenses and other as of January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Deferred Revenue, Principally from Gift Card Sales	$ 227	$ 207
Compensation, Payroll Taxes and Benefits	244	173
Interest	82	86
Taxes, Other than Income	71	63
Accrued Claims on Self-insured Activities	37	37
Returns Reserve	26	29
Rent	28	24
Other	185	168
Total Accrued Expenses and Other	$ 900	$ 787

10. Income Taxes

The following table provides the components of the Company's provision for income taxes for 2014, 2013 and 2012:

	2014	2013	2012
		(in millions)	
Current:			
U.S. Federal	$ 454	$ 407	$ 432
U.S. State	69	90	67
Non-U.S.	21	28	18
Total	544	525	517
Deferred:			
U.S. Federal	46	11	14
U.S. State	3	3	4
Non-U.S.	1	4	(7)
Total	50	18	11
Provision for Income Taxes	$ 594	$ 543	$ 528

The non-U.S. component of pre-tax income, arising principally from overseas operations, was income of $152 million, $131 million and $1 million for 2014, 2013 and 2012, respectively. The 2012 income included the impact of the $93 million impairment of goodwill and other intangible assets at 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 $43 million, $36 million and $116 million in 2014, 2013 and 2012, 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 2014, 2013 and 2012:

	2014	2013	2012
Federal Income Tax Rate	35.0 %	35.0 %	35.0 %
State Income Taxes, Net of Federal Income Tax Effect	3.6 %	3.8 %	4.0 %
Impact of Non-U.S. Operations	(1.3)%	(1.4)%	1.1 %
Non-deductible Impairment of Goodwill and Other Intangible Assets	— %	— %	2.4 %
Other Items, Net	(1.0)%	0.1 %	(1.3)%
Effective Tax Rate	36.3 %	37.5 %	41.2 %

Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of January 31, 2015 and February 1, 2014. 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.

	January 31, 2015			February 1, 2014		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	(in millions)					
Leases	$ 49	$ —	$ 49	$ 46	$ —	$ 46
Non-qualified Retirement Plan	97	—	97	94	—	94
Property and Equipment	—	(283)	(283)	—	(219)	(219)
Goodwill	—	(15)	(15)	—	(15)	(15)
Trade Names and Other Intangibles	—	(139)	(139)	—	(139)	(139)
State Net Operating Loss Carryforwards	18	—	18	21	—	21
Non-U.S. Operating Loss Carryforwards	158	—	158	161	—	161
Valuation Allowance	(177)	—	(177)	(183)	—	(183)
Other, Net	79	—	79	71	—	71
Total Deferred Income Taxes	$ 224	$ (437)	$ (213)	$ 210	$ (373)	$ (163)

As of January 31, 2015, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2015 through 2034. 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 January 31, 2015, the Company had available for non-U.S. tax purposes net operating loss carryforwards which expire, if unused, in the years 2027 through 2034. 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 January 31, 2015, we have not provided deferred U.S. income taxes on approximately $216 million of undistributed earnings from non-U.S. subsidiaries. Any unrecognized deferred income tax liability resulting from these amounts 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 is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

Income tax payments were $526 million for 2014, $468 million for 2013 and $336 million for 2012.

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 2014, 2013 and 2012, without interest and penalties:

	2014	2013	2012
		(in millions)	
Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year	$ 167	$ 185	$ 146
Increases in Unrecognized Tax Benefits for Prior Years	16	39	13
Decreases in Unrecognized Tax Benefits for Prior Years	(14)	(54)	(19)
Increases in Unrecognized Tax Benefits as a Result of Current Year Activity	36	37	52
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	(5)	(34)	(1)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(7)	(6)	(6)
Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year	$ 193	$ 167	$ 185

Of the $193 million, $167 million and $185 million of total unrecognized tax benefits at January 31, 2015, February 1, 2014, and February 2, 2013, respectively, approximately $170 million, $143 million and $160 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 $142 million could change in the next 12 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 of $1 million, $4 million and $1 million in 2014, 2013 and 2012, respectively. The Company has accrued approximately $31 million and $30 million for the payment of interest and penalties as of January 31, 2015 and February 1, 2014, 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 2014, the Company was subject to examination by the IRS for 2011 through 2013. The Company is also subject to various U.S. state and local income tax examinations for the years 2009 to 2013. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2004 to 2013. 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 January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(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
$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount ("2019 Notes") (a)	501	494
$400 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	$ 3,401	$ 3,394
Senior Unsecured Debt		
$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount ("2017 Notes") (b)	$ 715	$ 718
$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
Total Senior Unsecured Debt	$ 1,364	$ 1,582
Total	$ 4,765	$ 4,976
Current Portion of Long-term Debt	—	(215)
Total Long-term Debt, Net of Current Portion	$ 4,765	$ 4,761

(a) The balance includes a fair value interest rate hedge adjustment which increased the debt balance by $8 million as of January 31, 2015 and $2 million as of February 1, 2014.

(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $15 million as of January 31, 2015 and $19 million as of February 1, 2014.

(c) The outstanding principal balance was $213 million as of February 1, 2014. This balance includes a fair value interest rate hedge adjustment which increased the debt balance by $2 million.

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)	
2015	$ —
2016	—
2017	700
2018	—
2019	500
Thereafter	3,550

Cash paid for interest was $328 million in 2014, $300 million in 2013 and $276 million in 2012.

Issuance of Notes

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 Consolidated Balance Sheets.

Repayment of Notes

In November 2014, the Company repaid the remaining $213 million of its 5.25% Senior Unsecured Notes due November 2014 with cash on hand.

Revolving Facility

In July 2014, the Company entered into an amendment and restatement ("Amendment") of its secured revolving credit facility ("Revolving Facility"). The Amendment maintains the aggregate amount of the commitments of the lenders under the Revolving Facility at $1 billion and extends the termination date from July 15, 2016 to July 18, 2019. In addition, the Amendment allows certain of the Company's non-U.S. subsidiaries to issue loans and obtain letters of credit in U.S. dollars, Canadian dollars or British pounds.

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 0.30% per annum, and the fees related to outstanding letters of credit are 1.50% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings or British pound borrowings is LIBOR plus 1.50%. The interest rate on outstanding Canadian dollar borrowings is CDOR plus 1.50%.

The Company incurred fees related to the Amendment of the Revolving Facility of $5 million, which were capitalized and are being amortized over the remaining term of the Revolving Facility.

The Revolving Facility continues to contain 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 January 31, 2015, 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 second quarter of 2014 and the third quarter of 2013, the Company borrowed and repaid $5 million and $290 million, respectively, under the Revolving Facility. The maximum daily amount outstanding at any point in time during the second quarter of 2014 and third quarter of 2013 was $5 million and $140 million, respectively.

As of January 31, 2015, 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 $19 million of outstanding letters of credit as of January 31, 2015 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 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 remaining cross-currency swaps mature in January 2016 and January 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.

In November 2014, the Company terminated cross-currency swaps of CAD$200 million related to the intercompany loans maturing in January 2015 and January 2017. The Company paid $4 million to settle the swaps. This $4 million expense related to the settlement of the swaps, as well as the foreign currency gains on these intercompany loans of $6 million, were recognized in earnings in the fourth quarter of 2014.

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 January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Other Long-term Liabilities	$ —	$ 13
Other Long-term Assets	21	—

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 2014 and 2013:

	Location	2014	2013
		(in millions)	
Gain (Loss) Recognized in Other Comprehensive Income (Loss)	Other Comprehensive Income (Loss)	$ 34	$ 46
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Other Income (a)	Other Income	(60)	(50)

(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 July 2014, the Company entered into interest rate swap arrangements related to $100 million of the outstanding 2017 Notes and $100 million of the outstanding 2019 Notes. 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 prior periods, we entered into interest rate swap arrangements on the 2014 and 2017 Notes. In 2012, we terminated these interest rate designated fair value hedges. The carrying values of these 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 January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Other Assets	$ 12	$ 5

13. Fair Value Measurements

The following table provides a summary of the carrying value and fair value of long-term debt as of January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Carrying Value	$ 4,765	$ 4,976
Fair Value (a)	5,305	5,333

(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 January 31, 2015 and February 1, 2014:

	Level 1	Level 2	Level 3	Total
		(in millions)		
As of January 31, 2015				
Assets:				
Cash and Cash Equivalents	$ 1,681	$ —	$ —	$ 1,681
Interest Rate Designated Fair Value Hedges	—	12	—	12
Cross-currency Cash Flow Hedges	—	21	—	21
Liabilities:				
Lease Guarantees	—	—	1	1
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

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 2014 and 2013:

	2014	2013
	(in millions)	
Beginning Balance	$ 1	$ 2
Change in Estimated Fair Value Reported in Earnings	—	(1)
Ending Balance	$ 1	$ 1

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 2014:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of February 1, 2014	$ 30	$ 10	$ 40
Other Comprehensive Income (Loss) Before Reclassifications	21	34	55
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(60)	(60)
Current-period Other Comprehensive Income (Loss)	21	(26)	(5)
Balance as of January 31, 2015	$ 51	$ (16)	$ 35

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 (Loss) 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 components of accumulated other comprehensive income (loss) 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 2014:

Details About Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income 2014	2013	Location on Consolidated Statements of Income
	(in millions)		
Cash Flow Hedges	$ (60)	$ (50)	Other Income
	—	—	Provision for Income Taxes
	$ (60)	$ (50)	Net Income

15. Leases

The Company is committed to noncancelable leases with remaining terms generally from one to 10 years. A substantial portion of the Company's leases consist of store leases generally with an initial term of 10 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 2014, 2013 and 2012:

	2014	2013	2012
		(in millions)	
Store Rent:			
Fixed Minimum	$ 516	$ 482	$ 453
Contingent	63	59	60
Total Store Rent	579	541	513
Office, Equipment and Other	68	72	67
Gross Rent Expense	647	613	580
Sublease Rental Income	(2)	(2)	(2)
Total Rent Expense	$ 645	$ 611	$ 578

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)	
2015	$ 588
2016	556
2017	494
2018	413
2019	364
Thereafter	1,455

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

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 in the Court of Appeals for the Federal Circuit. Shortly before the Company's appeal was filed, the Court of Appeals ruled in another proceeding involving a different company that the plaintiff's patents were invalid. On January 14, 2014, the U.S. Supreme Court denied the plaintiff's petition to overturn that ruling.

Subsequent to January 31, 2015, the Court of Appeals for the Federal Circuit issued an opinion on the case discussed above. The Court of Appeals' decision reversed the United States District Court for the Eastern District of Texas finding of infringement. The District Court's award of damages of $9 million for infringement from 2007 through 2011 and future royalty payments through 2015 were overturned. On March 16, 2015, the plaintiff filed a petition for a rehearing with the Court of Appeals for the Federal Circuit.

Guarantees

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $24 million related to lease payments of Express, Limited Stores, 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 $11 million as of January 31, 2015 and $22 million as of February 1, 2014. The estimated fair value of these guarantee obligations was $1 million as of January 31, 2015 and February 1, 2014, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company's guarantees related to 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 the divestiture. 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 January 31, 2015 and February 1, 2014.

In connection with the Company's investment in EG, an entity that owns and is developing a commercial shopping center in the Easton community, the Company, along with an unaffiliated member, provided a guarantee of interest, certain expenses and a completion guarantee on the construction of the commercial shopping center. For additional information, see Note 8, "Equity Investments and Other."

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 $59 million for 2014, $56 million for 2013 and $55 million for 2012.

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 January 31, 2015 and February 1, 2014:

	January 31, 2015	February 1, 2014
	(in millions)	
Balance at Beginning of Year	$ 243	$ 228
Contributions:		
Associate	10	13
Company	10	11
Interest	14	11
Distributions	(20)	(20)
Balance at End of Year	$ 257	$ 243

Total expense recognized related to the non-qualified plan was $24 million for 2014, $22 million for 2013 and $24 million for 2012.

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 2014, 2013 and 2012:

		Shares Repurchased			Amount Repurchased			Average Stock Price of Shares Repurchased within Program
Repurchase Program	Amount Authorized	2014	2013	2012	2014	2013	2012	
	(in millions)	(in thousands)			(in millions)			
November 2012 (a)	$ 250	1,317	1,377	245	$ 84	$ 63	$ 11	$ 54.02
February 2012 (b)	500	NA	NA	9,871	NA	NA	450	45.61
November 2011	250	NA	NA	3,657	NA	NA	164	44.90
Total		1,317	1,377	13,773	$ 84	$ 63	$ 625	

(a) The November 2012 repurchase program had $91 million remaining as of January 31, 2015.
(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.
NA Not applicable

There were no share repurchases reflected in Accounts Payable on the January 31, 2015 Consolidated Balance Sheet. There were $3 million share repurchases reflected in Accounts Payable as of February 1, 2014.

Subsequent to January 31, 2015, the Company's Board of Directors approved a new $250 million share repurchase program, which included the $91 million remaining under the November 2012 repurchase program. The Company repurchased an additional 0.2 million shares of common stock for $22 million under the February 2015 repurchase program subsequent to January 31, 2015.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during the fiscal years 2014, 2013 and 2012:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2014				
Fourth Quarter	$ 0.34	$ —	$ 0.34	$ 100
Third Quarter	0.34	—	0.34	100
Second Quarter	0.34	—	0.34	99
First Quarter	0.34	1.00	1.34	392
2014 Total	$ 1.36	$ 1.00	$ 2.36	$ 691
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

Subsequent to January 31, 2015, the Board of Directors declared an increase in the first quarter 2015 ordinary dividend from $0.34 to $0.50 per share and a special dividend of $2 per share. Both dividends, totaling $731 million, were paid on March 6, 2015 to shareholders of record at the close of business on February 20, 2015.

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 10 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 146 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. Approximately 12 million options and shares were available for grant as of January 31, 2015.

From time to time the Company's Board of Directors will declare special dividends. For additional information, see Note 18, "Shareholders' Equity (Deficit)." 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 January 31, 2015:

	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 1, 2014	6,204	$ 29.14		
Granted	1,112	59.76		
Exercised	(1,462)	24.84		
Cancelled	(195)	47.80		
Adjustment for Special Dividend	114	N/A		
Outstanding as of January 31, 2015	5,773	$ 34.93	6.39	$ 276,675
Vested and Expected to Vest as of January 31, 2015 (a)	5,582	34.38	6.31	270,589
Options Exercisable as of January 31, 2015	2,885	21.38	4.55	177,220

(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 $52 million for 2014, $69 million for 2013 and $133 million for 2012.

The total fair value at grant date of option awards vested was $11 million for 2014, $10 million for 2013 and 2012.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was $19 million as of January 31, 2015. This cost is expected to be recognized over a weighted-average period of 2.9 years.

The weighted-average estimated fair value of stock options granted was $11.74 per share for 2014, $9.71 per share for 2013 and $13.89 per share for 2012.

Cash received from stock options exercised was $35 million for 2014, $32 million for 2013 and $53 million for 2012. Tax benefits realized from tax deductions associated with stock options exercised were $21 million for 2014, $14 million for 2013 and $42 million for 2012.

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 2014, 2013 and 2012:

	2014	2013	2012
Expected Volatility	30%	35%	47%
Risk-free Interest Rate	1.4%	0.8%	1.0%
Dividend Yield	3.0%	3.4%	2.7%
Expected Life (in years)	4.6	4.7	4.8

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 January 31, 2015:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Unvested as of February 1, 2014	7,395	$ 34.82
Granted	1,760	54.03
Vested	(2,209)	25.30
Cancelled	(309)	43.21
Adjustment for Special Dividend	136	N/A
Unvested as of January 31, 2015	6,773	41.06

The Company's total intrinsic value of restricted stock vested was $128 million for 2014, $106 million for 2013 and $257 million for 2012.

The Company's total fair value at grant date of awards vested was $56 million for 2014, $40 million for 2013 and $37 million for 2012. 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 January 31, 2015, there was $108 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 $46 million for 2014, $40 million for 2013 and $90 million for 2012.

Income Statement Impact

The following table provides share-based compensation expense included in the Consolidated Statements of Income for 2014, 2013 and 2012:

	2014	2013	2012
		(in millions)	
Costs of Goods Sold, Buying and Occupancy	$ 24	$ 22	$ 19
General, Administrative and Store Operating Expenses	66	63	54
Total Share-based Compensation Expense	$ 90	$ 85	$ 73

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 $30 million for 2014, $29 million for 2013 and $25 million for 2012.

20. Segment Information

In the first quarter of 2014, the Company announced a change in its reportable segments. Results from company-owned Victoria's Secret and Bath & Body Works stores in Canada were 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 was created which includes the Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the U.S. and Canada. Therefore, beginning in 2014, the Company has three reportable segments: Victoria's Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International. While this reporting change did not impact the Company's consolidated results, the segment data has been recast to be consistent for all periods presented throughout the financial statements and accompanying footnotes.

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 located in the U.S. and Canada and its website, *www.VictoriasSecret.com*.

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

The Victoria's Secret and Bath & Body Works International segment includes the Victoria's Secret and Bath & Body Works company-owned and partner-operated stores located outside of the U.S. and Canada. These businesses include the following:

- Victoria's Secret Beauty and Accessories stores operated by partners under franchise, license and wholesale arrangements, which feature Victoria's Secret branded beauty and accessories products;
- Victoria's Secret International stores, comprised of company-owned stores in the U.K., as well as stores operated by partners under franchise, license and wholesale arrangements; and
- Bath & Body Works International stores operated by partners under franchise, license and wholesale arrangements.

Other consists of the following:

- Mast Global, a merchandise sourcing and production function serving the Company and its international partners;
- La Senza, comprised of company-owned stores in Canada, as well as stores operated by partners under franchise, license and wholesale arrangements, which feature women's intimate apparel;
- Henri Bendel, operator of 29 specialty stores, which feature handbags, jewelry and other accessory 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 January 31, 2015, February 1, 2014 and February 2, 2013:

	Victoria’s Secret	Bath & Body Works	Victoria’s Secret and Bath & Body Works International	Other	Total
			(in millions)		
January 31, 2015					
Net Sales	$ 7,207	$ 3,350	$ 336	$ 561	$ 11,454
Depreciation and Amortization	198	65	16	119	398
Operating Income (Loss)	1,271	737	78	(133)	1,953
Total Assets (a)	2,950	1,365	369	2,860	7,544
Capital Expenditures	446	77	37	155	715
February 1, 2014					
Net Sales	$ 6,884	$ 3,118	$ 222	$ 549	$ 10,773
Depreciation and Amortization	175	65	9	119	368
Operating Income (Loss)	1,153	648	38	(96)	1,743
Total Assets (a)	2,811	1,369	290	2,728	7,198
Capital Expenditures	444	80	33	134	691
February 2, 2013					
Net Sales	$ 6,740	$ 3,074	$ 132	$ 513	$ 10,459
Depreciation and Amortization	153	58	3	140	354
Operating Income (Loss) (b)	1,207	629	4	(267)	1,573
Total Assets (a)	2,521	1,372	213	1,913	6,019
Capital Expenditures	290	74	44	180	588

(a) Assets are allocated to the operating segments based on decision making authority relevant to the applicable assets.

(b) Operating Loss for the Other segment includes 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.

The Company’s international sales include sales from company-owned stores, royalty revenue from franchise and license arrangements, wholesale revenues and direct sales shipped internationally. The Company's international sales across all segments totaled $1.349 billion in 2014, $1.212 billion in 2013 and $1.060 billion in 2012. The Company’s internationally based long-lived assets were $293 million as of January 31, 2015 and $280 million as of February 1, 2014.

21. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2014:

	Fiscal Quarter Ended			
	May 3, 2014	August 2, 2014	November 1, 2014	January 31, 2015
	(in millions except per share data)			
Net Sales	$ 2,391	$ 2,675	$ 2,319	$ 4,069
Gross Profit	982	1,044	947	1,835
Operating Income	336	376	284	957
Income Before Income Taxes	255	296	205	880
Net Income	157	188	132	565
Net Income Per Basic Share (a)	$ 0.54	$ 0.65	$ 0.45	$ 1.93
Net Income Per Diluted Share (a)	$ 0.53	$ 0.63	$ 0.44	$ 1.89

(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 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.

22. Subsequent Events

Subsequent to January 31, 2015, the Company's Board of Directors approved a new $250 million share repurchase program, which included the $91 million remaining under the November 2012 repurchase program. The Company repurchased an additional 0.2 million shares of common stock for $22 million under the February 2015 repurchase program subsequent to January 31, 2015. Additionally, the Company declared the first quarter 2015 ordinary dividend of $0.50 per share and a special dividend of $2 per share. The dividends totaled $731 million. For additional information, see Note 18, "Shareholders' Equity (Deficit)."

Subsequent to January 31, 2015, the Company divested its remaining ownership interest in the third-party apparel sourcing business to Sycamore Partners. The sale of the remaining ownership interest resulted in pre-tax cash proceeds of $85 million and a gain of approximately $78 million (after-tax gain of approximately $70 million) which will be recognized in the first quarter of 2015. For additional information, see Note 8, "Equity Investments and Other."

Subsequent to January 31, 2015, the Court of Appeals for the Federal Circuit issued an opinion on an outstanding patent infringement case. The Court of Appeals' decision reversed the United States District Court for the Eastern District of Texas finding of infringement. On March 16, 2015, the plaintiff filed a petition for a rehearing with the Court of Appeals for the Federal Circuit. For additional information, see Note 16, "Commitments and Contingencies."

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 January 31, 2015 and February 1, 2014 and the Condensed Consolidating Statements of Income, Comprehensive Income and Cash Flows for the years ended January 31, 2015, February 1, 2014 and February 2, 2013. In the fourth quarter of 2014, the Company added a subsidiary to the Guarantors. Accordingly, the supplemental financial information has been recast for all periods presented.

L BRANDS, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

(in millions)

	January 31, 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 1,462	$ 219	$ —	$ 1,681
Accounts Receivable, Net	1	197	54	—	252
Inventories	—	919	117	—	1,036
Deferred Income Taxes	—	34	(1)	—	33
Other	—	146	84	—	230
Total Current Assets	1	2,758	473	—	3,232
Property and Equipment, Net	—	1,385	892	—	2,277
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,635	14,003	1,405	(20,043)	—
Other Assets	188	35	693	(610)	306
Total Assets	$ 4,824	$ 19,910	$ 3,463	$ (20,653)	$ 7,544
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ —	$ 300	$ 313	$ —	$ 613
Accrued Expenses and Other	83	495	322	—	900
Income Taxes	(4)	183	(13)	—	166
Total Current Liabilities	79	978	622	—	1,679
Deferred Income Taxes	(4)	(32)	297	—	261
Long-term Debt	4,765	597	—	(597)	4,765
Other Long-term Liabilities	—	609	224	(13)	820
Total Equity (Deficit)	(16)	17,758	2,320	(20,043)	19
Total Liabilities and Equity (Deficit)	$ 4,824	$ 19,910	$ 3,463	$ (20,653)	$ 7,544

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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	—	177	67	—	244
Inventories	—	978	187	—	1,165
Deferred Income Taxes	—	44	(16)	—	28
Other	—	106	88	—	194
Total Current Assets	—	2,658	492	—	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	14,058	1,015	(19,541)	—
Other Assets	186	19	680	(611)	274
Total Assets	$ 4,654	$ 19,661	$ 3,035	$ (20,152)	$ 7,198
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ 3	$ 318	$ 278	$ —	$ 599
Accrued Expenses and Other	86	418	283	—	787
Current Portion of Long-term Debt	215	—	—	—	215
Income Taxes	(1)	176	50	—	225
Total Current Liabilities	303	912	611	—	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	1,982	(19,540)	(369)
Total Liabilities and Equity (Deficit)	$ 4,654	$ 19,661	$ 3,035	$ (20,152)	$ 7,198

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 10,711	$ 3,343	$ (2,600)	$ 11,454
Costs of Goods Sold, Buying and Occupancy	—	(6,449)	(2,611)	2,414	(6,646)
Gross Profit	—	4,262	732	(186)	4,808
General, Administrative and Store Operating Expenses	(6)	(2,538)	(446)	135	(2,855)
Operating Income (Loss)	(6)	1,724	286	(51)	1,953
Interest Expense	(324)	(35)	(9)	44	(324)
Other Income (Loss)	1	—	6	—	7
Income (Loss) Before Income Taxes	(329)	1,689	283	(7)	1,636
Provision (Benefit) for Income Taxes	(3)	385	212	—	594
Equity in Earnings, Net of Tax	1,368	46	316	(1,730)	—
Net Income (Loss)	$ 1,042	$ 1,350	$ 387	$ (1,737)	$ 1,042

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 1,042	$ 1,350	$ 387	$ (1,737)	$ 1,042
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	(60)	—	(60)
Foreign Currency Translation	—	—	21	—	21
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	34	—	34
Total Other Comprehensive Income (Loss), Net of Tax	—	—	(5)	—	(5)
Total Comprehensive Income	$ 1,042	$ 1,350	$ 382	$ (1,737)	$ 1,037

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	$ —	$ 10,047	$ 3,190	$ (2,464)	$ 10,773
Costs of Goods Sold, Buying and Occupancy	—	(6,096)	(2,598)	2,350	(6,344)
Gross Profit	—	3,951	592	(114)	4,429
General, Administrative and Store Operating Expenses	(5)	(2,403)	(394)	116	(2,686)
Operating Income (Loss)	(5)	1,548	198	2	1,743
Interest Expense	(314)	(28)	(11)	39	(314)
Other Income (Loss)	—	—	17	—	17
Income (Loss) Before Income Taxes	(319)	1,520	204	41	1,446
Provision (Benefit) for Income Taxes	—	305	238	—	543
Equity in Earnings, Net of Tax	1,222	118	462	(1,802)	—
Net Income (Loss)	$ 903	$ 1,333	$ 428	$ (1,761)	$ 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	$ 428	$ (1,761)	$ 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	$ 464	$ (1,761)	$ 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	$ —	$ 9,717	$ 2,738	$ (1,996)	$ 10,459
Costs of Goods Sold, Buying and Occupancy	—	(5,649)	(2,324)	1,900	(6,073)
Gross Profit	—	4,068	414	(96)	4,386
General, Administrative and Store Operating Expenses	(5)	(2,435)	(373)	93	(2,720)
Impairment of Goodwill and Other Intangible Assets	—	—	(93)	—	(93)
Operating Income (Loss)	(5)	1,633	(52)	(3)	1,573
Interest Expense	(316)	(22)	(10)	32	(316)
Other Income (Loss)	—	1	23	—	24
Income (Loss) Before Income Taxes	(321)	1,612	(39)	29	1,281
Provision (Benefit) for Income Taxes	—	359	169	—	528
Equity in Earnings, Net of Tax	1,074	(171)	441	(1,344)	—
Net Income (Loss)	$ 753	$ 1,082	$ 233	$ (1,315)	$ 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	$ 233	$ (1,315)	$ 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	$ 235	$ (1,315)	$ 757

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (333)	$ 1,677	$ 442	$ —	$ 1,786
Investing Activities:					
Capital Expenditures	—	(486)	(229)	—	(715)
Other Investing Activities	—	(1)	17	—	16
Net Cash Used for Investing Activities	—	(487)	(212)	—	(699)
Financing Activities:					
Payments of Long-term Debt	(213)	—	—	—	(213)
Borrowings from Revolving Facility	—	—	5	—	5
Repayments on Revolving Facility	—	—	(5)	—	(5)
Financing Costs	(5)	—	—	—	(5)
Repurchase of Common Stock	(87)	—	—	—	(87)
Dividends Paid	(691)	—	—	—	(691)
Excess Tax Benefits from Share-based Compensation	—	37	6	—	43
Net Financing Activities and Advances to/from Consolidated Affiliates	1,295	(1,118)	(177)	—	—
Proceeds From Exercise of Stock Options and Other	34	—	—	—	34
Net Cash Provided by (Used for) Financing Activities	333	(1,081)	(171)	—	(919)
Effects of Exchange Rate Changes on Cash	—	—	(6)	—	(6)
Net Increase in Cash and Cash Equivalents	—	109	53	—	162
Cash and Cash Equivalents, Beginning of Year	—	1,353	166	—	1,519
Cash and Cash Equivalents, End of Year	$ —	$ 1,462	$ 219	$ —	$ 1,681

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)	$ 1,323	$ 227	$ —	$ 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	57	(241)	—	—
Proceeds From Exercise of Stock Options and Other	32	—	—	—	32
Net Cash Provided by (Used for) Financing Activities	302	88	(236)	—	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)	$ 1,389	$ 323	$ —	$ 1,351
Investing Activities:					
Capital Expenditures	—	(344)	(244)	—	(588)
Return of Capital from Third-party Apparel Sourcing Business Investment	—	—	22	—	22
Proceeds from Sale of Express Common Stock	—	—	13	—	13
Net Investments in Consolidated Affiliates	—	36	—	(36)	—
Other Investing Activities	—	17	5	—	22
Net Cash 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	(1,147)	(348)	36	—
Proceeds From Exercise of Stock Options and Other	52	—	—	—	52
Net Cash Provided by (Used for) Financing Activities	361	(1,052)	(327)	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

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 January 31, 2015 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 January 31, 2015 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 2014 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 January 31, 2015.

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)	13,311,131	$ 34.93	(2)	11,746,402
Equity compensation plans not approved by security holders	—	—		—
Total	13,311,131	$ 34.93		11,746,402

(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 January 31, 2015, February 1, 2014 and February 2, 2013

Consolidated Statements of Comprehensive Income for the Years Ended January 31, 2015, February 1, 2014 and February 2, 2013

Consolidated Balance Sheets as of January 31, 2015 and February 1, 2014

Consolidated Statements of Total Equity (Deficit) for the Years Ended January 31, 2015, February 1, 2014 and February 2, 2013

Consolidated Statements of Cash Flows for the Years Ended January 31, 2015, February 1, 2014 and February 2, 2013

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 incorporated by reference to Exhibit 3.1 to the Company's Form 10-K dated February 1, 2014.

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 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 Amendment and Restatement Agreement dated July 18, 2014 among L Brands, Inc., a Delaware corporation, L (Overseas) Holdings LP, an Alberta limited partnership, Canadian Retail Holdings Corporation, a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, and Mast Industries (Far East) Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 15, 2011 among the Company, the lenders from time to time party thereto and the Administrative Agent.

4.16 Ninth Supplemental Indenture dated as of January 30, 2015 among the Registrant, the New Guarantors, The Bank of New York Mellon Trust Company, as Trustee, and the Old Guarantors to the Base Indenture dated as of March 15, 1988, as amended, relating to the 7.000% Senior Notes due 2020, the 6.625% Senior Notes due 2021, the 5.625% Senior Notes due 2022 and the 5.625% Senior Notes due 2023.

4.17 Second Supplemental Indenture dated as of January 30, 2015 among the Registrant , the New Guarantors, The Bank of New York Mellon Trust Company, as Trustee and the Old Guarantors to the Base Indenture dated as of June 19, 2009, as amended, relating to the 8.50% Senior Notes due 2019.

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	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.**
10.15	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.**
10.16	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.**
10.17	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.**
10.18	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.**
10.19	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.**
10.20	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.**
10.21	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.**
10.22	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.**

10.23	Form of Sixth Amended and Restated Master Aircraft Time Sharing Agreement incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015.**
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 April 10, 2015.
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 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 20, 2015

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 January 31, 2015:

Signature	Title
/s/ LESLIE H. WEXNER** Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer
/s/ E. GORDON GEE** E. Gordon Gee	Director
/s/ DENNIS S. HERSCH** Dennis S. Hersch	Director
/s/ DONNA A. JAMES** Donna A. James	Director
/s/ DAVID T. KOLLAT** David T. Kollat	Director
/s/ WILLIAM R. LOOMIS, JR.** William R. Loomis, Jr.	Director
/s/ JEFFREY H. MIRO** Jeffrey H. Miro	Director
/s/ MICHAEL MORRIS** Michael Morris	Director
/s/ STEPHEN STEINOUR** Stephen Steinour	Director
/s/ ALLAN R. TESSLER** Allan R. Tessler	Director
/s/ ABIGAIL S. WEXNER** Abigail S. Wexner	Director
/s/ RAYMOND ZIMMERMAN** Raymond Zimmerman	Director

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

By: /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Attorney-in-fact

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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

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SIXTH AMENDED AND RESTATED MASTER AIRCRAFT TIME SHARING AGREEMENT

This Master Aircraft Time Sharing Agreement ("**Agreement**") is dated as of February 24, 2015 (the "**Effective Date**") and is between L Brands Service Company, LLC (f/k/a Limited Service Corporation and Limited Brands Service Company, LLC) (the "**Company**"), and each of the individuals whose name appears on the signature page(s) hereto (each, a "**Time Share Lessee**").

Recitals: This Agreement is made under the following circumstances.

A. The Company controls and operates, in the legal capacity of lessee, each Aircraft (defined in Section 1.1 hereof).

B. The Company employs, or contracts for the services of, a fully qualified flight crew to operate each Aircraft.

C. Each Time Share Lessee is a director, officer or high ranking executive employee of the Company or an Affiliate.

D. The Company has determined that, incident to the employment or directorship relationship between the Time Share Lessees and the Company or the Company's Affiliates, it is to the benefit of the Company to permit the use of the Aircraft by the Time Share Lessees for personal flight needs, to the extent consistent with the scheduling needs of the Company, for many of the same reasons that support use of the Aircraft by the Time Share Lessees for travel on Company-related business, including but not necessarily limited to: enhancing security and privacy; maintaining communication between the Company and its directors, officers and high ranking executives; permitting the Time Share Lessees in their capacity as directors, officers or high ranking executives to work on Company-related business while traveling by providing a convenient, private and confidential setting for the review of sensitive documents or the conduct of confidential discussions by telephone or in person; and reducing travel-related stress, delay and fatigue that might otherwise reduce efficiency or delay the return to work; and the Company is therefore willing to sublease the Aircraft, with flight crew, on a non-exclusive basis, to the Time Share Lessees on a time sharing basis as defined in Section 91.501(c)(1) of the FAR (defined in Section 1.1 hereof).

E. Each of the Time Share Lessees desires from time to time to sublease the Aircraft, with a flight crew, on a non-exclusive basis, from the Company on a time sharing basis.

F. During the Term of this Agreement, the Aircraft will be subject to use by the Company and/or other one or more subleases to third-parties.

G. The Company and various of the Time Share Lessees entered into an Aircraft Time Share Agreement dated as of December 8, 2004 (the "**Original Agreement**"), which was subsequently amended by Amendment No. 2, also dated as of December 8, 2004, to adjust the amount of the flight charges under Section 4.1, and which was amended by Amendments No. 1 and No. 3, dated as of January 13, 2005 and February 3, 2005, respectively, adding certain other Time Share Lessees; by the Amended and Restated Aircraft Time Sharing Agreement dated April 8, 2005, which in turn was supplemented by Supplement No. 1 to Amended and Restated Aircraft Time Sharing Agreement, dated as of May 17, 2005; by the Second Amended and Restated Master Aircraft Time Sharing Agreement, dated as of January 25, 2006; by the Third Amended and Restated Master Aircraft Time Sharing Agreement, dated as of October 3, 2006; by the Fourth Amended and Restated Master Aircraft Time Sharing Agreement, dated as of May 21, 2008; and by the Fifth Amended and Restated Master Aircraft Time Sharing Agreement, dated as of October 19, 2010.

A. Since October 19, 2010, each of the prior Time Share Lessees, except those whose names appear on the signature page(s) hereto, has ceased to be a Time Share Lessee.

B. For convenience, the Company and the Time Share Lessees desire to restate the Original Agreement, as amended, in its entirety.

NOW, THEREFORE, the Company and each Time Share Lessee hereby agree as follows.

Section 1. Definitions.

1.1. Specific Terms. As used in used in this Agreement, the following defined terms have the following meanings:

1.1.1. "**Affiliate**" means an entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company. The term "**control**" (including the terms "**controlling**", "**controlled by**" and "**under common control with**") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, through membership, by contract or otherwise. In addition, any entity (and its successors by way of change of organizational form) through which the Company is pursuing a business venture will be deemed an Affiliate of the Company so long as the Company and/or its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity of such entity.

1.1.2. **"Agreement"** is defined in the preamble.

1.1.3. **"Aircraft"** means each of the Airframes, the Engines, and the Aircraft Documents. Such Engines shall be deemed part of the "Aircraft" whether or not from time to time attached to the Airframe or removed from the Aircraft.

1.1.4. **"Aircraft Documents"** means, as to any Aircraft, all flight records, maintenance records, historical records, modification records, overhaul records, manuals, logbooks, authorizations, drawings and data relating to the Airframe, any Engine, or any Part, that are required by Applicable Law to be created or maintained with respect to the maintenance and/or operation of the Aircraft.

1.1.5. **"Airframe"** means each of the Airframes listed in Schedule 1 attached hereto and made a part hereof, as the same may be amended from time to time as set forth below, together with any and all Parts (including, but not limited to, landing gear and auxiliary power units but excluding Engines or engines) so long as such Parts shall be either incorporated or installed in or attached to the Airframe.

1.1.6. **"Applicable Law"** means, without limitation, all applicable laws, treaties, international agreements, decisions and orders of any court, arbitration or governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including, without limitation, the FAR and 49 U.S.C. § 41101, et seq ., as amended.

1.1.7. **"Business Day"** means Monday through Friday, exclusive of legal holidays under the laws of the United States or the State of Ohio.

1.1.8. **"Company"** is defined in the preamble.

1.1.9. **"Effective Date"** is defined in the preamble.

1.1.10. **"Engines"** means, as to each Airframe, the engines identified in Schedule 1 (or any replacement or loaner engines), as the same may be amended from time to time as set forth below, together with any and all Parts so long as the same shall be either incorporated or installed in or attached to such Engine.

1.1.11. **"FAA"** means the Federal Aviation Administration or any successor agency.

1.1.12. **"FAR"** means collectively the Aeronautics Regulations of the Federal Aviation Administration and the Department of Transportation, as codified at Title 14, Parts 1 to 399 of the United States Code of Federal Regulations.

1.1.13. **"Flight Charges"** means the amount calculated under Section 4.1 below.

1.1.14. **"Flight Hour"** means each flight hour, calculated in tenths of an hour, of use of the Aircraft by a Time Share Lessee, as recorded on the Aircraft hour meter.

1.1.15. **"Headlease"** means, as to any Aircraft, the Aircraft Master Lease Agreement between the Owner and the Company, as the same may be amended from time to time, the terms and conditions of which are incorporated into this Agreement by reference.

1.1.16. **"Operating Base"** means Port Columbus Airport, Columbus, Ohio.

1.1.17. **"Operational Control"** has the same meaning given the term in Section 1.1 of the FAR.

1.1.18. **"Original Agreement"** is defined in paragraph G of the recitals.

1.1.19. **"Owner"** means, as to each Aircraft, the registered owner of the Aircraft as shown by the records of the FAA.

1.1.20. **"Parts"** means, as to any Aircraft, all appliances, components, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature (other than complete Engines or engines) which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and includes replacement parts.

1.1.21. **"Pilot in Command"** has the same meaning given the term in Section 1.1 of the FAR.

1.1.22. **"Taxes"** means all sales taxes, use taxes, retailer taxes, duties, fees, excise taxes, including, without limitation, federal transportation excise taxes, or other taxes of any kind which may be assessed or levied by any Taxing Jurisdiction as a result of the sublease of the Aircraft to a Time Share Lessee, or the use of the Aircraft by a Time Share Lessee, or the provision of a taxable transportation service to a Time Share Lessee using the Aircraft.

1.1.23. **"Taxing Jurisdictions"** means any federal, state, county, local, airport, district, foreign, or other governmental authority that imposes Taxes.

1.1.24. **"Term"** means the term of this Agreement set forth in Section 3.

1.1.25. **"Time Share Lessee"** is defined in the preamble. Upon execution of any Application to be Bound or any supplement to this Agreement, each person named in and signing the Application to be Bound or supplement will become an additional Time Sharing Lessee, effective as of the date shown therein as to that person.

1.1.26. **"Unrelated Sublessee"** is defined in Section 7.4.

1.2 Other Terms. Unless otherwise specified, the following terms, whether or not capitalized, will have the following meanings as used in this Agreement. "Hereof", "herein", "hereunder" and similar terms refer to this Agreement as a whole, and are not limited to the section or subdivision of this Agreement in which the term appears. "Includes, "including" and similar terms mean without limitation. "Person" includes any natural person, corporation, general or limited partnership, limited liability company, other incorporated or unincorporated association, trust, governmental body or other entity.

Section 2. Agreement to Sublease.

2.1. Agreement to Sublease. The Company agrees to sublease the Aircraft to Time Share Lessees on an "as needed and as available" basis, and to provide a fully qualified flight crew for all flights of each Time Share Lessee, in accordance with the terms and conditions of this Agreement.

2.2. Independent Agreements. The Time Share Lessees are listed in a single document for the sole purpose of convenience of the Company. This Agreement constitutes a separate Time Sharing Agreement as between the Company and each Time Share Lessee. Without limiting the preceding sentence:

2.2.1. The Company may from time to time agree to add additional persons as a Time Share Lessee, without notice to the existing Time Share Lessees. Each such agreement will be evidenced by an Application to be Bound or a supplement to this Agreement, signed by the Company and the new Time Share Lessee(s), setting forth the new Time Share Lessee's notice address, the date as to which this Agreement becomes effective as to the new Time Share Lessee, and his or her commitment to be bound by this Agreement.

2.2.2. The rights and obligations of each Time Share Lessee are independent of one another. Under no circumstances will any Time Share Lessee be deemed liable for any monetary or non-monetary obligations of any other Time Share Lessee hereunder, whether jointly, severally, or by way of suretyship or guaranty.

2.2.3. Termination of this Agreement as to any one or more of the Time Share Lessees does not terminate this Agreement as to any other Time Share Lessee.

2.3. Intent and Interpretation. The parties hereto intend that this Agreement constitute, and this Agreement shall be interpreted as, a *Time Sharing Agreement* as defined in Section 91.501(c)(1) of the FAR.

2.4. Non-Exclusivity. Each Time Share Lessee acknowledges that the Aircraft is subleased to Time Share Lessees hereunder on a non-exclusive basis, and that the Aircraft will also be subject use by the Company and the Company's Affiliates, and may also be subject to non-exclusive sublease to others during the Term.

Section 3. Term and Termination.

3.1. Term. As to each Time Share Lessee and unless earlier terminated as set forth herein, the Term begins on the Effective Date, and ends on the December 31 next following; provided, however, that as to any person added as a Time Share Lessee after the Effective Date pursuant to Section 2.2.1 above, the Term will begin on the date specified in the Application to be Bound or supplement to this Agreement, as applicable, adding the person as a Time Share Lessee. At the end of the initial Term or any subsequent Term, this Agreement will automatically be renewed for an additional one year Term.

3.2. Termination.

3.2.1. This Agreement terminates automatically as to any Time Share Lessee when that Time Share Lessee ceases to be an officer, director or employee of the Company or of any Affiliate.

3.2.2. Each Time Share Lessee may terminate this Agreement with or without cause on at least 30 days prior written notice to the Company, and the Company may terminate this Agreement as to any one or more Time Share Lessees with or without cause on at least 30 days prior written notice to the subject Time Share Lessee or Lessees, without need in either case to notify any Time Share Lessee as to whom this Agreement is not being terminated.

Section 4. Payments.

Each Time Share Lessee shall pay the Company for each flight conducted for that Time Share Lessee under this Agreement an amount equal to the maximum amount of expense reimbursement permitted in accordance with Section 91.501(d) of the FAR, which expenses include and are limited to: (a) fuel, oil, lubricants, and other additives; (b) travel expenses of the crew, including food, lodging and ground transportation; (c) hangar and tie down costs away from the Aircraft's base of operation; (d) insurance obtained for the specific flight; (e) landing fees, airport taxes and similar assessments; (f) customs, foreign permit, and similar fees directly related to the flight; (g) in-flight food and beverages; (h) passenger ground transportation; (i) flight planning and weather contract services; and (j) an additional charge equal to 100% of the expenses listed in Section 4(a).

Section 5. Invoices and Payment.

The Company shall initially pay all expenses related to the operation of the Aircraft when and as such expenses are incurred. Within 30 days after the last day of any calendar quarter during which any flight for the account of a Time Share Lessee has been conducted, the Company shall provide an invoice to that Time Share Lessee for an amount determined in accordance with Section 4 above. If the rates in effect have not yet been made available to the Company as of the last day of the calendar quarter, the Company at its option may instead apply the latest rates then available, and the rate so applied shall be final, or may instead defer the invoice until not later than 30 days after the rates become available to the Company. In either case, Time Share Lessee shall remit the full amount of any such invoice, together with any applicable Taxes under Section 6, to the Company within 30 days after the invoice date.

Section 6. Taxes.

Payments to be made by any Time Share Lessee under Sections 4 and 5 of this Agreement do not include, and each Time Share Lessee shall be responsible for, and shall indemnify the Company and Owner against, any Taxes that may be assessed or levied by any Taxing Jurisdiction as a result of the sublease of the Aircraft to that Time Share Lessee, or the use of the Aircraft by that Time Share Lessee, or the provision of a taxable transportation service to that Time Share Lessee using the Aircraft. Without limiting the generality of the foregoing, Time Share Lessees and the Company specifically acknowledge that all Time Share Lessees' flights will be subject to commercial air transportation excise taxes pursuant to Section 4261 of the Internal Revenue Code, regardless of whether any such flight is considered "noncommercial" under the FAR. Time Share Lessee shall remit to the Company all such Taxes together with each payment made pursuant to Section 5.

Section 7. Scheduling Flights.

7.1. Submitting Flight Requests. Each Time Share Lessee shall submit requests for flights and proposed flight schedules to the Company as far in advance of any given flight as possible, and in any case, at least 24 hours in advance of Time Share Lessee's planned departure. Time Share Lessee shall provide the Company at least the following information for each proposed flight at least 24 hours prior to scheduled departure: (a) departure airport; (b) destination airport; (c) date and time of departure; (d) the number of anticipated passengers; (e) the nature and extent of luggage and/or cargo to be carried; (f) the date and time of return flight, if any; (g) and any other information concerning the proposed flight that may be pertinent or required by the Company or the Company's flight crew or that may be required by the FAR or other Applicable Law.

7.2. Approval of Flight Requests. Each use of an Aircraft by a Time Share Lessee will be subject to the Company's prior approval. The Company may approve or deny any flight scheduling request in the Company's sole discretion. Scheduling requests not approved in writing by 5:00 p.m. Columbus local time on the 2nd Business Day after the request is received by the Company are deemed denied. The Company in its sole discretion may disapprove any flight request submitted by a Time Share Lessee and may determine whether to make the Aircraft available in response to the Time Share Lessee's request. The Company has final authority over the scheduling of the Aircraft, but shall use reasonable efforts to accommodate Time Share Lessee's needs for approved flight requests and to avoid conflicts in scheduling. If two or more Time Share Lessees make conflicting requests to use the Aircraft, the Company in its sole discretion may determine which, if any, of such requests to accommodate.

7.3. Subordinated Use of Aircraft. Each Time Share Lessee's rights to schedule use of the Aircraft during the Term of this Agreement are at all times be subordinate to the Aircraft use requirements of the Company, and any Affiliate. The Company and each Affiliate may at all times preempt any scheduled, unscheduled, and anticipated use of the Aircraft by a Time Share Lessee, notwithstanding any prior approval by the Company of the Time Share Lessee's request to schedule a flight.

7.4. Priority Use of Aircraft. Subject to Section 7.2, Time Share Lessees' rights to schedule use of the Aircraft during the Term are at all times superior to the Aircraft use requirements of any person to whom the Company has subleased or hereafter subleases the Aircraft other than another Time Share Lessee or an Affiliate (any such person an **"Unrelated Sublessee"**), and a Time Share Lessee at all times may preempt any scheduled, unscheduled, and anticipated use of the Aircraft by any Unrelated Sublessee.

Section 8. Title and Operation.

8.1. Title and Registration; Subordination. Owners have exclusive legal and equitable title to the Aircraft. The Company has priority leasehold possessory rights to the Aircraft pursuant to the Headlease. Each Time Share Lessee acknowledges that title to the Aircraft will remain vested in Owner. Each Time Share Lessee shall, to the extent permitted by Applicable Law, do all such further acts, deeds, assurances or things as may, (a) in the reasonable opinion of the Owner, be necessary or desirable in order to protect or preserve the Company's title to the Aircraft, and (b) in the reasonable opinion of the Company, be necessary or desirable in order to protect or preserve the Company's rights under the Headlease. Any rights Time Share Lessee may have in or to the Aircraft by virtue of this Agreement, including Time Share Lessee's rights to use of the Aircraft, are in all respects subject and subordinate to Owner's rights and interests under the Headlease, including, without limitation, the right of Owner to take possession of the Aircraft and Engines upon the Company's default under the Headlease. To the extent requested by Owner, its successors or assigns, each Time Share Lessee shall take all action necessary to continue all right, title and interest of Owner, its successors or assigns in the Aircraft under Applicable Law against any claims of any Time Share Lessee and any persons claiming by, through or under such Time Share Lessee.

8.2. Aircraft Maintenance and Flight Crew. The Company shall *be* solely responsible for maintenance, preventive maintenance and required or otherwise necessary inspections of the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance, or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all Applicable Law, and within the sound discretion of the Pilot in Command.

8.3. Flight Crews. The Company shall provide to Time Share Lessee a qualified flight crew for each flight conducted in accordance with this Agreement. The Company may, if it so chooses, elect not to hire its own pilots for any given flight hereunder, but to contract instead for pilot services from a third party vendor. Whether or not the flight crew is supplied by a third party vendor, the flight crew is under the exclusive command and control of the Company in all phases of all flights conducted hereunder.

8.4. OPERATIONAL CONTROL.

THE COMPANY SHALL HAVE AND MAINTAIN OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL FLIGHTS OPERATED UNDER THIS AGREEMENT. THE PARTIES INTEND THAT THIS AGREEMENT CONSTITUTE A "TIME SHARING AGREEMENT" AS DEFINED IN SECTION 91.501(C)(1) OF THE FAR. THE COMPANY SHALL EXERCISE EXCLUSIVE AUTHORITY OVER INITIATING, CONDUCTING, OR TERMINATING ANY FLIGHT CONDUCTED ON BEHALF OF A TIME SHARE LESSEE PURSUANT TO THIS AGREEMENT.

8.5. Authority of Pilot In Command. Notwithstanding that the Company shall have Operational Control of the Aircraft during any flight conducted pursuant to this Agreement, the Pilot in Command, in his or her sole discretion, may terminate any flight, refuse to commence any flight, or take any other flight-related action that, in the judgment of the Pilot in Command, is necessitated by considerations of safety. The Pilot in Command shall have final and complete authority to postpone or cancel any flight for any reason or condition that, in his or her judgment, would compromise the safety of the flight. No such action of the Pilot in Command shall create or support any liability of the Company to a Time Share Lessee for loss, injury, damage or delay.

8.6. Force Majeure. The Company shall not be liable for delay or failure to furnish the Aircraft and flight crew pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, acts of God or other unforeseen or unanticipated circumstances.

Section 9. Headleases; Addition or Deletion of Aircraft.

The Company shall furnish a copy of any Headlease to any Time Share Lessee upon written request. Any such copy shall be deemed proprietary information belonging solely to the Company, and shall be treated as confidential by the Time Share Lessee. The Company and the Owner from time to time, in their sole discretion, may amend, modify or terminate any Headlease, or enter into one more new Headleases. Upon notice to the Time Share Lessees, the Company may in its sole discretion modify this Agreement by adding Aircraft to or deleting Aircraft from Schedule 1. The notice shall be accompanied by a copy of the revised Schedule 2, showing the effective date of the revised Schedule 1. Upon the sending of such notice, the revised Schedule 1 shall for all purposes supersede all previous editions of Schedule 1, the Term shall end as to any Aircraft that have been deleted from Schedule 1, and shall begin as to any Aircraft that have been added to Schedule 1.

Section 10. Insurance.

The Company shall maintain, or cause to be maintained insurance in such amounts and against such perils and liability as is required from time to time by the Headleases, including bodily injury and property damage, liability insurance and all risks aircraft hull insurance, naming such loss payees as the Headleases may require. Further, the Company will cause each Time Share Lessee to be named as an Additional Insured on all such policies of insurance, and the Company will provide any Time Share Lessee with a Certificate of Insurance upon request. Notwithstanding the provisions of this Section 10 and subject to the limitations of FAR 91.501(d), upon and at Company's request, a Time Share Lessee shall reimburse Company for the cost and expense of any additional insurance Company obtained for a specific flight of such Time Share Lessee.

Section 11. Use by Time Share Lessee.

Each Time Share Lessee shall: (a) use the Aircraft solely for and on account of his or her own personal or business use, and shall not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire; (b) refrain from incurring any mechanic's or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement; (c) not attempt to convey, mortgage, assign, lease, sublease, or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and (d) abide by and conform, during the Term, to all Applicable Laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a time sharing Time Share Lessee.

Section 12. Miscellaneous.

12.1. Notices. All notices hereunder shall be delivered by hand, sent by reputable guaranteed overnight delivery service with verification of receipt, or sent by first-class United States mail, certified, postage prepaid, return receipt requested. Notice shall be deemed given when delivered or sent in the manner provided herein.

If to the Company:

For Service of Process to:

L Brands Service Company, LLC
c/o L Brands, Inc.
Three Limited Parkway
Columbus, OH 43230
Attention: Office of the General Counsel

All other notices to:

L Brands Service Company, LLC
c/o L Brands Flight Department
4387 International Gateway
Columbus, OH 43219
Attention: Director, Aviation

If to a Time Share Lessee, at the notice address listed for such Time Share Lessee on the signature page(s) hereto or the Application to be Bound, as applicable, and if none, then to:

L Brands Flight Department
4387 International Gateway
Columbus, OH 43219
Attention: [Name of subject Time Share Lessee]

At any time, the Company may change its address for purposes of notices under this Agreement by giving notice to the Time Share Lessees as set forth in this Section 12.1. At any time, any Time Share Lessee may change its address for purposes of notices under this Agreement by giving notice to the Company as set forth in this Section 12.1.

12.2. No Waiver. No purported waiver by either party of any default by the other party of any term or provision contained herein shall be deemed to be a waiver of such term or provision unless the waiver is in writing and signed by the waiting party. No such waiver shall in any event be deemed a waiver of any subsequent default under the same or any other term or provision contained herein.

12.3. Entire Agreement; Amendment. This Agreement sets forth the entire understanding between the parties and incorporates all prior negotiations and agreements between the parties concerning the subject matter hereof. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between the parties relating to the subject matter of this Agreement other than those set forth herein. No representation or warranty has been made by or on behalf of any party (or any officer, director, employee or agent thereof) to induce any other party to enter into this Agreement or to abide by or consummate any transaction contemplated by any terms of this Agreement, except representations and warranties, if any, expressly set forth herein. No alteration, amendment, change or addition to this Agreement shall be binding upon either party unless in writing and signed by the party to be charged. Whenever in this Agreement any printed portion has been stricken out, whether or not any relative provision has been added, this Agreement shall be construed as if the material so stricken was never included herein and no inference shall be drawn from the material so stricken out which would be inconsistent in any way with the construction or interpretation which would be appropriate if such material were never contained herein.

12.4. No Agency or Partnership. Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or joint venture.

12.5. Successors and Assigns. This Agreement, obligations hereunder, and/or rights herein granted may not be assigned, transferred or encumbered to or by any party without the prior written consent of the other; provided, however, that the rights and obligations of the Company may be assigned without the consent of the Time Share Lessees to any assignee of the Company's rights and obligations under the Headlease. Any purported or attempted transfer or assignment in contravention of this Section 12.5 shall be void and of no effect. Subject to this Section 12.5, each and all of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and, except as otherwise specifically provided in this Agreement, their respective successors and assigns.

12.6. Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

12.7. Joint Preparation. This Agreement is to be deemed to have been prepared jointly by the parties hereto, and any uncertainty or ambiguity existing herein, if any, shall not be interpreted against any party, but shall be interpreted according to the application of rules of interpretation for arm's-length agreements.

12.8. Captions; Recitals. The captions and section numbers appearing in this Agreement are inserted only as a matter of convenience. They do not define, limit, construe or describe the scope or intent of the provisions of this Agreement. The Recitals at the beginning of this Agreement are intended to give an understanding of the factual background that led the parties to enter into this Agreement. The Recitals are not intended to be warranties, representations, covenants, or otherwise contractually binding.

12.9. Prohibited or Unenforceable Provisions. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibitions or unenforceability in any other jurisdiction. To the extent permitted by applicable law, each of the Company and Time Share Lessees hereby waives any provision of applicable law which renders any provision hereof prohibited or unenforceable in any respect.

12.10. Governing Law. The laws of the State of Ohio, without giving effect to principles of conflicts of law, govern all matters arising under this Agreement, including all tort claims.

12.11. Counterparts. This Agreement may be executed in several counterparts, and/or by execution of counterpart signature pages, which may be attached to one or more counterparts, and all counterparts so executed shall constitute one agreement binding on all of the parties hereto, notwithstanding that all the parties are not signatory to the original or to the same counterpart. In addition, any counterpart signature page may be executed by any party wherever that party is located, and may be delivered by attachment to email, telephone facsimile transmission, and any such email or facsimile transmitted signature page may be attached to one or more counterparts of this Agreement, and such faxed and emailed signatures shall have the same force and effect, and be as binding, as original signatures executed and delivered in person.

12.12. Manual Signatures Required. Any acceptance, signature, execution or validation of this Agreement or any written communication or written notice required hereunder, shall be manually signed and delivered by hard copy, email or facsimile (whether telephonic or computer generated facsimiles such as, but not limited to, jpg, PDF or tagged image files). No purported offer, acceptance, contract, amendment, or binding agreement in connection with this transaction shall be made by automated agent, electronic agent, electronic mail, electronic signature, telephonic voice mail, sound recording, or other electronic means of any kind, all as such terms are defined in the Uniform Electronic Transactions Act ("UETA", Ohio Revised Code Chapter 1306), the Electronic Signatures in Global and National Commerce Act ("ESIGN", 15 U.S. Code Sections 7001 et seq.), or any similar state or federal legislation. This Section is intended as an express disclaimer of intent, and an express refusal, under UETA and ESIGN to conduct this transaction by electronic means. This Section cannot be waived except by manually signed, written consent of both parties.

Section 13. Amendments, Addenda, Supplements, Schedules and Exhibits.

13.1 Amendments, Addenda, and Supplements. Each Time Share Lessee (including every person who later becomes a Time Share Lessee) authorizes the Company at any time, and from time to time, to do any or all of the following in the name of, and on behalf of, the Time Share Lessee, which authorization and power is coupled with an interest and shall be irrevocable:

13.1.1. Execute and deliver any document (including amendments, addenda or supplements to this Agreement) evidencing (a) the addition of any person or persons as Time Share Lessee; (b) the cessation of the Term of this Agreement as to any person or persons as Time Share Lessee; or (c) the addition, withdrawal or substitution of any of the Aircraft.

13.1.2. File any such document with the FAA and/or such other governmental agencies or offices as the Company shall judge to be necessary or desirable.

13.2 Schedules and Exhibits. Each schedule or exhibit that is referred to in and attached to this Agreement is incorporated in this Agreement by reference.

Section 14. DISCLAIMER.

THE AIRCRAFT IS BEING SUBLEASED BY THE OPERATOR TO THE TIME SHARE LESSEES HEREUNDER ON A COMPLETELY "AS IS, WHERE IS," BASIS, WHICH IS ACKNOWLEDGED AND AGREED TO BY THE TIME SHARE LESSEES. THE WARRANTIES AND REPRESENTATIONS SET FORTH IN THIS AGREEMENT ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND THE COMPANY HAS NOT MADE AND SHALL NOT BE CONSIDERED OR DEEMED TO HAVE MADE (WHETHER BY VIRTUE OF HAVING SUBLEASED THE AIRCRAFT UNDER THIS AGREEMENT, OR HAVING ACQUIRED THE AIRCRAFT, OR HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS AGREEMENT OR OTHERWISE) ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR TO ANY PART THEREOF, AND SPECIFICALLY, WITHOUT LIMITATION, IN THIS RESPECT DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES CONCERNING THE TITLE, AIRWORTHINESS, VALUE, CONDITION, DESIGN, MERCHANTABILITY, COMPLIANCE WITH SPECIFICATIONS, CONSTRUCTION AND CONDITION OF THE AIRCRAFT, OR FITNESS FOR A PARTICULAR USE OF THE AIRCRAFT AND AS TO THE ABSENCE OF LATENT AND OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AND AS TO THE ABSENCE OF ANY INFRINGEMENT OR THE LIKE, HEREUNDER OF ANY PATENT, TRADEMARK OR COPYRIGHT, AND AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE AIRCRAFT OR ANY PART THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE), WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF. EACH TIME SHARE LESSEE HEREBY WAIVES, RELEASES, DISCLAIMS AND RENOUNCES ALL EXPECTATION OF OR RELIANCE UPON ANY SUCH AND OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF THE COMPANY AND RIGHTS, CLAIMS AND REMEDIES OF TIME SHARE LESSEE AGAINST THE COMPANY, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITED TO (A) ANY IMPLIED WARRANTY OF MERCHANTABILITY OF FITNESS FOR ANY PARTICULAR USE, (B) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, (C) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF THE COMPANY, ACTUAL OR IMPUTED, AND (D) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO THE AIRCRAFT, FOR LOSS OF USE, REVENUE OR PROFIT WITH RESPECT TO THE AIRCRAFT, OR FOR ANY OTHER DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

Section 15. Truth In Leasing Disclosures.

WITHIN THE TWELVE (12) MONTH PERIOD PRECEDING THE EFFECTIVE DATE, EXCEPT TO THE EXTENT THE AIRCRAFT IS LESS THAN TWELVE (12) MONTHS OLD, THE AIRCRAFT HAS BEEN INSPECTED AND MAINTAINED IN ACCORDANCE WITH THE FOLLOWING PROVISIONS OF THE FAR: 91.409 (f) (3): A current inspection program recommended by the manufacturer. THE PARTIES HERETO CERTIFY THAT DURING THE TERM OF THIS AGREEMENT AND FOR ALL OPERATIONS CONDUCTED HEREUNDER, THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN ACCORDANCE WITH THE PROVISIONS OF FAR 91.409 (f) (3). THE COMPANY SHALL HAVE AND RETAIN OPERATIONAL CONTROL OF THE AIRCRAFT DURING ALL OPERATIONS CONDUCTED PURSUANT TO THIS AGREEMENT. EACH PARTY HERETO CERTIFIES THAT IT UNDERSTANDS THE EXTENT OF ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS AS SET FORTH HEREIN. AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FEDERAL AVIATION ADMINISTRATION FLIGHT STANDARDS DISTRICT OFFICE.

THE PARTIES HERETO CERTIFY THAT A TRUE COPY OF THIS AGREEMENT SHALL BE CARRIED ON THE AIRCRAFT AT ALL TIMES, AND SHALL BE MADE AVAILABLE FOR INSPECTION UPON REQUEST BY AN APPROPRIATELY CONSTITUTED AND IDENTIFIED REPRESENTATIVE OF THE ADMINISTRATOR OF THE FAA.

Exhibit 12

L Brands, Inc.
Computation of Ratio of Earnings to Fixed Charges

	Fiscal Year Ended				
	January 31, 2015	**February 1, 2014**	**February 2, 2013**	**January 28, 2012**	**January 29, 2011**
Earnings:			(in millions)		
Income before income taxes, noncontrolling interest and cumulative effect of change in accounting principle	$ 1,636	$ 1,446	$ 1,280	$ 1,226	$ 1,251
Fixed charges (excluding capitalized interest)	440	429	426	354	329
Distributions from equity method investments, net of income or loss from equity investees	(4)	49	11	—	(3)
Total earnings	$ 2,072	$ 1,924	$ 1,717	$ 1,580	$ 1,577
Fixed charges:					
Portion of minimum rent representative of interest	$ 119	$ 114	$ 107	$ 105	$ 118
Interest on indebtedness (including capitalized interest)	324	314	317	246	208
Total fixed charges	$ 443	$ 428	$ 424	$ 351	$ 326
Ratio of earnings to fixed charges	4.7	4.5	4.1	4.5	4.8

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. 333-04941)
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 20, 2015, with respect to the consolidated financial statements of L Brands, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of L Brands, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended January 31, 2015.

/s/ Ernst & Young LLP

Columbus, Ohio
March 20, 2015

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 January 31, 2015 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 29th day of January, 2015.

/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 January 31, 2015 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 29th day of January, 2015.

/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 29th day of January, 2015.

/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 29th day of January, 2015.

/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 29th day of January, 2015.

/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 29th day of January, 2015.

/s/ WILLIAM R. LOOMIS, JR.

William R. Loomis, Jr.

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 29th day of January, 2015.

/s/ JEFFREY H. MIRO

Jeffrey H. Miro

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 29th day of January, 2015.

/s/ MICHAEL MORRIS

Michael Morris

POWER OF ATTORNEY
OFFICERS AND
DIRECTORS OF
L BRANDS, INC.

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EXECUTED as of the 29th day of January, 2015.

/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 January 31, 2015 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 29th day of January, 2015.

/s/ ALLAN R. TESSLER

Allan R. Tessler

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 January 31, 2015 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 29th day of January, 2015.

/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 January 31, 2015 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 29th day of January, 2015.

/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 20, 2015

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 20, 2015

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 20, 2015 for the fiscal year ended January 31, 2015 (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 20, 2015