

*file
MAST industries
(The Limited)*

Questioning is good business. A year ago,
we responded to more than 10,000 questions
from our associates.

Questioning Thinking **Acting**

The process continues.

Our Financial Strength

Our Operating Results

(thousands except per share amounts)

	1992	1991	%Increase
Net Sales	\$6,944,296	\$6,149,218	13%
Operating Income	\$788,698	\$712,700	11%
Net Income	\$455,497	\$403,302	13%
Net Income as a Percentage of Sales	6.6%	6.6%	
Net Income Per Share	\$1.25	\$1.11	13%
Dividends Per Share	\$.28	\$.28	--

Questioning Thinking Acting

Our Year End Position

(thousands except financial ratios)

	1992	1991	%Increase (Decrease)
Total Assets	\$3,846,450	\$3,418,856	13%
Working Capital	\$1,063,352	\$1,084,205	(2%)
Current Ratio	2.5	3.1	
Long-Term Debt	\$541,639	\$713,758	(24%)
Debt-to-Equity Ratio	24%	38%	
Shareholders' Equity	\$2,267,617	\$1,876,792	21%
Return on Average Shareholders' Equity	22%	23%	

Stores Open at End of Year

	1992	1991
Express	640	611
The Limited	759	773
Lerner New York	915	910
Lane Bryant	809	786
Victoria's Secret Stores	545	507
Structure	330	240
The Limited Too	185	172
Abercrombie & Fitch Co.	40	36
Henri Bendel	4	4
Bath & Body Works	121	95
Cacique	71	54
Penhaligon's	6	6
Total Number of Stores	4,425	4,194
Selling Square Feet (thousands)	22,863	20,355

The key word is action.

Last year, you may remember, we invited all our associates to send us questions. We received more than 10,000, and I believe we answered every one: some in the annual report, others through newsletters, meetings, and personal letters. Many of them reflected common concerns such as the economy, the quality of our merchandise, and our strategies for growth. All of them showed that people were thinking. And the process of questioning, in itself, energized our associates.

Dear Partners:

Questions never go away. And

only by asking questions, and answering and acting on them, can we continue to grow and improve. This year, once again, our division leaders and I are answering some of your questions, and we will also try to answer all the rest. Thank you for thinking and asking.

But questioning is only the first step. Our long-term growth is driven by millions of specific actions.

You know many of them — you do them every day. You fold a sweater, answer the phone, enter data into the computer. You order merchandise, help empty a freight dock, check the size and fit for a customer. All these small acts, these details, add up. They are the lifeblood of The Limited.

In this year's report, we are not only answering some of your questions, but also highlighting some of your many successes. They are not necessarily the actions that brought in the largest sales or saved the most money. They are only examples of the teamwork that helps us all work smarter. All made a difference to other associates, to customers — and to me.

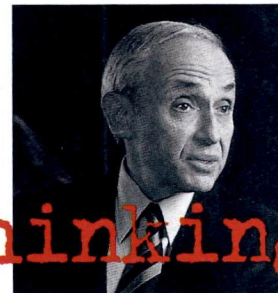
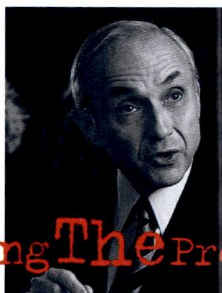
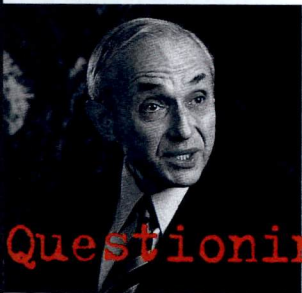
What are your overall reflections on Fall and Holiday 1992, and what are your expectations for 1993?

Lisa Toomey, Gahanna, Ohio

Our after-tax profits were 10% of sales in the fourth quarter — a record. But for the year, even though we came very close to our \$7 billion sales goal, our after-tax profit was only 6.6% — barely acceptable.

Our goal for 1993 is \$8 billion in sales, and 8% in after-tax profits. This is not a prediction, but the standard by which we will measure our performance. Our results in 1992 show that we can do it.

For instance, Michael Weiss and his associates at Express continued to outperform all major retailers in sales growth and profitability as a percent of sales. Lane Bryant associates, led by Cheryl Turpin, had a very good year, with a record fourth quarter in sales, operating income and earnings as a percent of sales. And Cindy Fedus and her Victoria's Secret Catalogue associates improved profits and margins, as planned, even as they reduced the number of catalogues mailed per customer. As always, when the fashion is right and the merchandising process is sound, we win.



Questioning Thinking Acting The Press Continues Questioning Thinking

Community Citizenship

Education is critical to America's future, and we are taking action. When Westerville North High School students asked us to sponsor different activities, associates at Limited Credit Services had a better idea: they "adopted" the Columbus area high school. In a series of work-study programs at LCS, students learned the basics of consumer credit, received one-on-one tutoring for state proficiency tests, and gained meaningful business experience. We have brought a similar program to nearby Whitehall-Yearling High School, and our other divisions are considering adopt-a-school programs. What started as a way to fund extra-curricular activities has turned into an ideal combination of education and training for the future.

How are the smaller businesses doing, and do you see the day when one or more of them will become a power business?

Maureen Lechleiter, Powell, Ohio

Usually I single out one or two of the new businesses in this letter, but all of them made significant progress in 1992. The new businesses made a significant contribution to fourth-quarter earnings for the first time, and I expect their profits to be an important part of our 1993 performance. I am proud of them all. Each business is different, and each has its own personality and complexities. Each has the potential and opportunity to become a power business.

But just as no one can predict when a baby is going to walk, it's hard to know when a business is going to reach a given level of maturity.

How do the companies of The Limited, Inc. work together, and on what projects?

Raymond E. Higgenbottom II, Indianapolis, Indiana

Aspects of our business, like customer service and garment quality are universal enough so that people can share business processes without giving away merchandise ideas. We try to encourage relationships across businesses, so that people can trade their

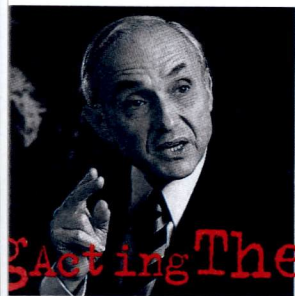
knowledge and adapt "best practices." We even have monthly meetings of the division presidents, in which we address common issues.

But we do not share the specifics of fashion and style.

What are we doing to keep our associates motivated, and to provide career opportunities?

Cindy Mullen, Columbus, Ohio

Our major motivators are growth and opportunity. A successful and financially stable business provides tremendous opportunities for learning and advancement. Our goal for this year is a one-billion-dollar sales increase, with improved productivity. We need to develop and promote talented people to keep our businesses growing.



Some of our businesses have been particularly good at encouraging their associates' careers, and all of them are working to improve. As you probably know, Arnold Kanarick has recently joined us as Executive Vice President and Director of Human Resources. Arnie is fully focused on the development of people at every level, in every business.

But the most important person who determines your advancement is you. We encourage associates to work together, to learn from each other and to share responsibility in taking intelligent risks. If you seek out sponsors and mentors, ask questions and act on the answers, and really want to grow, then you will succeed.

Why aren't we international?

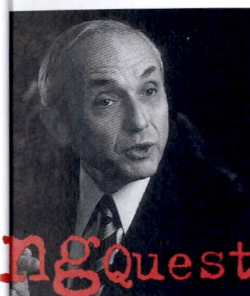
Jill Echenrode, Westerville, Ohio

I believe that our customers and shareholders are best served when we focus on our immense opportunities in the United States. Sales of \$10 billion, perhaps \$20 billion, at healthy profit margins, are clearly within our grasp, right here. Considering the complexities of retailing overseas, I do not yet see similar volume and profit opportunities from global expansion.

How did customers respond to the quality improvement actions we took in 1992?

Elizabeth Carter, Taiwan

Customers showed that they noticed our improvements by what they bought, and by what they didn't return. In fact, we made substantial progress, across all our businesses, in the quality of our merchandise. But there are many different aspects to quality. Quality not only includes the product itself — the garment, the fragrance or the soap — but also extends to the service in the stores and on the



phones, and to the look and feel of the stores and the catalogues. Our quality improvement programs are just beginning, and they require constant vigilance.

Why are we not advertising?

Barbara E. Young, Gahanna, Ohio

We advertise a lot! It isn't obvious, because we have launched very few national campaigns. But we are constantly testing all forms of media, including newspapers, magazines, and television, to find a medium or a technique that will pay us back more than what we put into it.

Our most important advertisements, though, are part of our business every day. We send out hundreds of millions of catalogues each year, and we have nearly 4,500 storefronts in the best locations in the best regional malls across the country. Three million potential customers pass these storefronts every day, and every one is an advertisement.

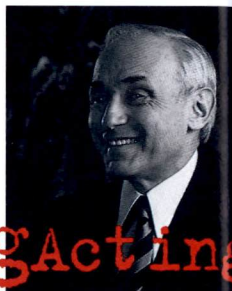
Speed Through Feedback

At Cacique, distribution and store associates worked together to reorganize preparations for new store openings. After visiting stores and consulting with the managers, the distribution center associates created a new-store preparation area. Store associates then visited the distribution center, and suggested new ways the distribution associates could make store openings run more smoothly. With more folding, hanging, sorting, and labeling at the distribution center, this team has cut in-store time to prepare for an opening from three days . . . to one.

Will we try a catalogue in any other divisions?

Scot Thomas Mazur, Elk Grove Village, Illinois

Some day. Right now our plates are full. Our existing catalogue businesses still



have enormous opportunities for growth and improvement. The time just isn't right for that kind of expansion, and timing is everything. We waited almost 20 years before adding divisions in 1982. We waited even longer to begin our men's businesses. We are aggressive, but very deliberate.

What are our key challenges for the 90s considering the re-emergence and strengthening of department stores and the popularity of outlet stores?

Paul Hiers, Westerville, Ohio

Our most important challenge is not the competition. In the 60s and 70s, when the department stores were far more powerful than they are today, we grew. During the growth of discount retailing in the 70s and 80s, we had unprecedented growth. So, simply stated, we don't worry about things out of our control.

The key challenge facing us in the 90s is the same one that faces us every day: to keep taking the risk of change. Sometimes when you're trying to improve, you break something that is already fixed. But unless you change, and take the risk of failure, you limit

your opportunities for success. That's why questioning, probing and reinventing are so important. That is how we redefined the specialty store business several times . . . and how we will continue to reinvent ourselves in the future.

Scoring Technical Knockouts

Mast created the "Technical Team," a group of six associates in Hong Kong and Andover, Massachusetts charged with developing a program to evaluate approximately 250 factories and mills. The team also began including computerized images of garments in its specifications, to leave less room for error. Proof of the team's progress: many retail divisions now consult it directly, to utilize its expertise for uniformity in specifications, fits, colors and controls.

When we announced our \$10 billion sales, 10% after-tax profit goals, we were really saying two things. First, we were demonstrating our determination to grow rapidly. We have done this, and we will continue to do it. We will achieve the \$10 billion sales goal about when we thought we would.

Our \$1 billion, 10% after-tax profit goal demonstrates our commitment to qualitative profit improvement . . . true quality growth, not swelling. We will earn \$1 billion of after-tax profits — but perhaps not in the same year our sales reach \$10 billion. We believe we'll achieve this goal, including an increase in our after-tax profit rate, not by raising our merchandise margins, but by increasing our productivity and efficiency, especially as our new businesses expand.

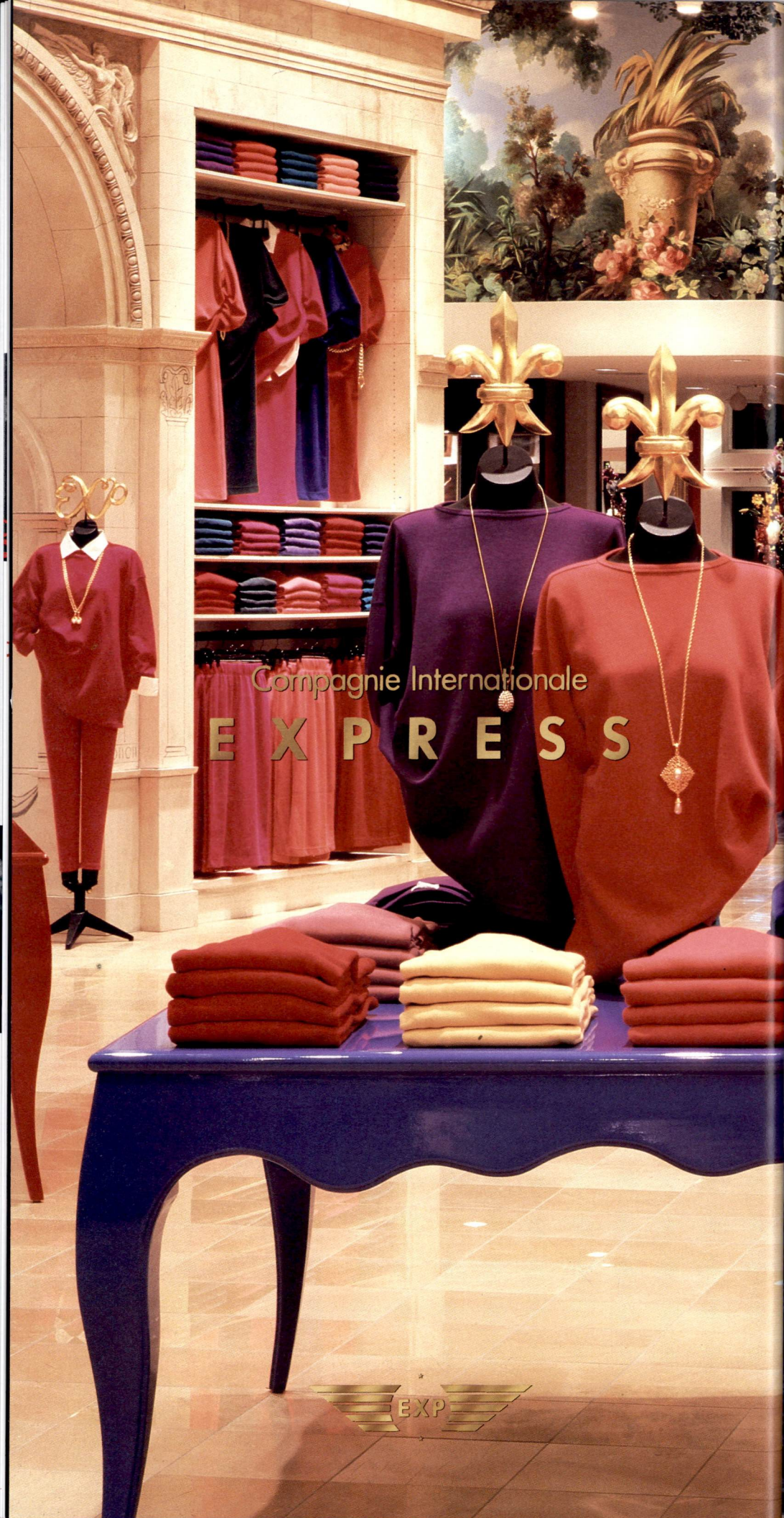
The true goal is to keep growing as soundly in the future as we have in the past, as we continue to reinvent specialty stores. Together.

Leslie H. Wexner, Chairman

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Some analysts estimate that by the year 2000, one of two Americans will be over the age of 50. Will this affect the market or shopper that Express targets?

Mary-Pat O'Donnell, Columbus, Ohio

We have never really defined Express in terms of chronological age. We've always defined ourselves in terms of attitudinal age, and that won't change. If the population gets older and attitudes change, then we will change too. Michael A. Weiss, President

Bench Strength

In December 1992, Lane Bryant offered Robin Green, the Senior Buyer for woven shirts and tops at Express, a position as Merchandise Manager. It was a great promotion for Robin, and she was a great find for Lane Bryant. The vacancy she left had a tremendous ripple effect: the Express leadership team got together and agreed on nine promotions, in just an hour and a half. Speed and depth of talent, combined.

Questioning Thinking Express Acting The Process Conti

Are there any major new training or selling programs in the works?

De Chappelle, Chicago, Illinois

We train our associates all the time, both on their jobs and through informal but extremely effective mentoring programs in the office. We know that our training works because our associates are constantly moving up — both within Express and through promotions to other divisions. In fact, we promoted 44% of our full-time associates in 1992. And 87% of the members of our current merchandising team have been promoted from within.

We think of you as our major asset, so we try to give you every opportunity to grow. Training is part of that, but it isn't everything. We also show that we value you by helping you develop your career.

You will continue to grow as we grow. We first achieved \$1 billion in sales in 1991, and we're already looking to hit \$2 billion in the mid-90s. We'll have to work very hard to get there, but it's the positive kind of strain you get from exercise: it makes you stronger. It should also make you happier. We are elated at our current success. We know, every minute of every day, that the present does not guarantee the future, but we enjoy success so much that we're working very hard to continue it. MW

Michael, to whom or what do you attribute Express' great fashion sense, and its ability to decide which items to sell?

April Potts, Memphis, Tennessee

First, there's no specific, individual person. It's a team effort, and ultimately it depends on all of us.

But more often than you would think, what might look like great fashion sense is really hard work. We do a great deal of homework when we look for fashion trends all over the world. And then we do even more homework, testing new items, concepts, silhouettes and fabrics in our stores all the time.

It may look intuitive, but it's also very rational and hard-nosed. And it's taken years of trial and error to get it right. MW

Year Founded: 1980. Selling Sq. Ft.: 3,470,000. Number of Stores: 640.



THE LIMITED



Why can't we get the merchandise that is selling well in the stores?

Patricia McGarrell, Austin, Texas

For over a year, we've had problems with inventory levels — and with delivery of what our customers want. When you're behind schedule in research and testing, by the time you learn that the customer likes an item, it's very hard to get re-delivery on a timely basis.

Our merchant team is now on a focused and timely schedule. We now know when to research, test, order and re-order. Our best sellers should now be in the stores on a timely basis.

Howard Gross, President

What is keeping The Limited from being number one in the corporation?

Susan Jones, Wakeman, Ohio

Obviously, our overall performance.

We really haven't had the merchandising appeal to be number one. The only way you win in our business is to be fashion right and fashion first. In the old days we used to talk about a one-eye buying concept, where the assortment represented a single vision. But unless you achieve the right coordination within the business, you can't hope to execute that kind of consistency. I believe that our merchant team now has that discipline.

uesTheProcessContinues **The Limited** ThinkingActi

How much awareness do the buyers have of the customers' demands and needs?

Sandra Dempsey, Strongsville, Ohio & Laurie Jaeckel, Parma, Ohio

Tremendous. The buyers are in the stores every week, not just visiting but talking to customers and selling. Because the customer is the only one who counts — and you don't find her in your office. But our job is to predict what she'll want tomorrow, not what she responds to today. We have to understand how the customer responds to newness. It's a tricky business — the stores always want more of what sold well yesterday. I understand. I was a store manager once myself. HG

The most exciting thing about it is that we had a lot of good individuals in 1992, and now they are working together as a team. Because whether you're in merchandising, finance, stores, wherever, everything is people. You don't need geniuses or superstars. If you have talented, hard-working, honest people, you can build a great team.

That's why in 1992 we focused on our merchandise team and on revamping our store organization . . . to build teams focused on sales and customer service.

We are in the final stages of rebuilding a business. We'll see the payback soon. I'll be very disappointed if we haven't made substantial gains, and if we're not looked at as leaders in the industry in 1993. HG

Year Founded: 1963. Selling Sq. Ft.: 4,257,000. Number of Stores: 759.



LERNER NEW YORK



How do you feel about our performance last year?

Erin M. Gallagher, New York, New York

The year was a difficult one in many ways. Merchants worked hard to improve our fashion and quality standards. Stores were challenged to change our presentation style, and everyone worked to make our repositioning go faster and more smoothly.

I know that our results were not as good as we hoped, but I also know that we are gaining momentum, and that we will be successful in 1993.

Barry Aved, President

Fast Holiday

To remodel the Lerner New York store in Smithaven Mall, Lake Grove, New York, over the Thanksgiving weekend, store teams worked on both sides of the barricade. One team served customers, while the other team unpacked merchandise and prepared fixtures on the newly finished side of the store. At the close of business, associates took down the barricade and worked through the night. In the morning, a completely new store opened, with no downtime, no lost sales . . . and headed for a record Holiday season.

With the increase in garment quality, how do you compare Lerner with other like stores? What advantages do you think we've gained?

Jo Ellen Leatherman, Westerville, Ohio

Perhaps because of our heritage, our customers demand outstanding value. Our assortments go beyond that, and provide fashion with a smack of urban understanding — and the customers are responding. Our mix of fashion and value is rare, so there is a great opportunity.

In fact, we saw a lot of new faces in our stores over the Holiday season, and I think we made a lot of friends. BA

What new marketing ideas will we be implementing in 1993 to increase sales and profits?

Louie Art Chan, Whitehall, Ohio

Well, we just completed re-branding all our apparel. We now have a label strategy that brings the fashion authority of New York into the store. We are also working with Limited Credit Services to do a better job of communicating with our credit card customers.

The Process Lerner New York Continues Question:

What happened to suits and dresses? I hear this many times, daily!

Teresa J. Dietrich, Pittsburgh, Pennsylvania

Quite frankly, the dresses we offered last Spring just didn't make it. They were not consistent with our new fashion and quality standards. We now have a stronger dress plan, tied to where we're headed. BA

These and other marketing ideas will help, but the key is always having the right merchandise. With our assortments continually improving, we can send out a clear message, so that the people we bring into the store will buy more of what we offer. BA

Year Founded: 1918. Selling Sq. Ft.: 6,963,000. Number of Stores: 915.



L A N E B R Y A N T

Thinking Acting The Process

What impact has our new marketing concept made on Lane Bryant?

Amy Bednarek, Columbus, Ohio

We know it's working because we see it in our results. Photos of beautiful women wearing our apparel — and signage that makes a fashion statement — are helping our customers feel great about shopping at Lane Bryant.
Cheryl Nido Turpin, President

Do you see new and innovative ways to manage a store organization as large as ours over the next decade?

Peter Meade, Andover, New Jersey

Yes — one store at a time. If we concentrate on each issue as if we were a one-store operation, we won't be overwhelmed by the opportunities or the problems involved in running over 800 stores. If we think about ourselves as just one store, we're more focused and more nimble. CNT

What have we learned this year about managing our key items that will help us better maximize sales and profits in future seasons?

Paul Badger, Needham, Massachusetts

We found out that we can identify and build our key items earlier in the season than we thought. We learned that we definitely have more potential than we thought — and that's very exciting. CNT

How do you define fashion?

Linda Luckay, Columbus, Ohio

Fashion is what the customer wants, when she wants it, and in every size and color she wants. Being a good fashion merchant means anticipating what she'll want six months from now, and having it. There is a very scientific way of understanding how it works. But the other half is quirkier. It's a sensitivity to what people will accept and reject, and it's creativity in putting together a season in a way that makes sense.
CNT

Lane Bryant is beginning to look more like other divisions of The Limited, Inc. Do you see this as a problem? Will we be able to retain and develop our distinctive niche?

Johann Olivier, North Attleborough, Massachusetts

We should be, as fashion-forward, as enticing, as any great specialty business. We set ourselves apart in our store design, our assortments and our sizing. So it's a question not of looking like the other divisions, but of being as fashion-forward and compelling as the others. CNT

Year Founded: 1900. Selling Sq. Ft.: 3,755,000. Number of Stores: 809.



VICTORIA'S SECRET
STORES

What have been some of our more notable mistakes, but more importantly, what did we learn from them?

Thomas Grube, Alexandria, Ohio

Our biggest problem last year wasn't overprojecting certain items, but simply not understanding quickly enough what customers would go wild for. Even when we sold out of certain sleepwear in August, we underestimated its potential for the Fall . . . and then we were overly optimistic about how fast we could get additional shipments.

But there was also a lot that went right. Our merchant team focused on the right categories. We had substantial, double-digit growth in foundations. And the launch of Rapture, our second fragrance, was extremely successful. I'm confident that we now have the discipline to take full advantage of our successes.

Grace Nichols, President

What two questions do you want all VSS associates to ask themselves and answer "yes" to, when leaving work each day?

Jan Radakovich, Columbus, Ohio

Here are three questions.

First: Did I do something today to build client relationships, or to focus on our clients in response to their ever-changing needs and demands?

Second: Did I do something today to improve the business, by not just doing my job but finding a way to do it better?

Third: Did I support my fellow associates and value their contributions?

I would love for the answers to all three questions each and every day to be "yes." GN

Year Founded: 1977. Selling Sq. Ft.: 2,029,000. Number of Stores: 545.

questioningContinues Victoria's Secret stores thi

What is our strategy for staying competitive in the nineties?

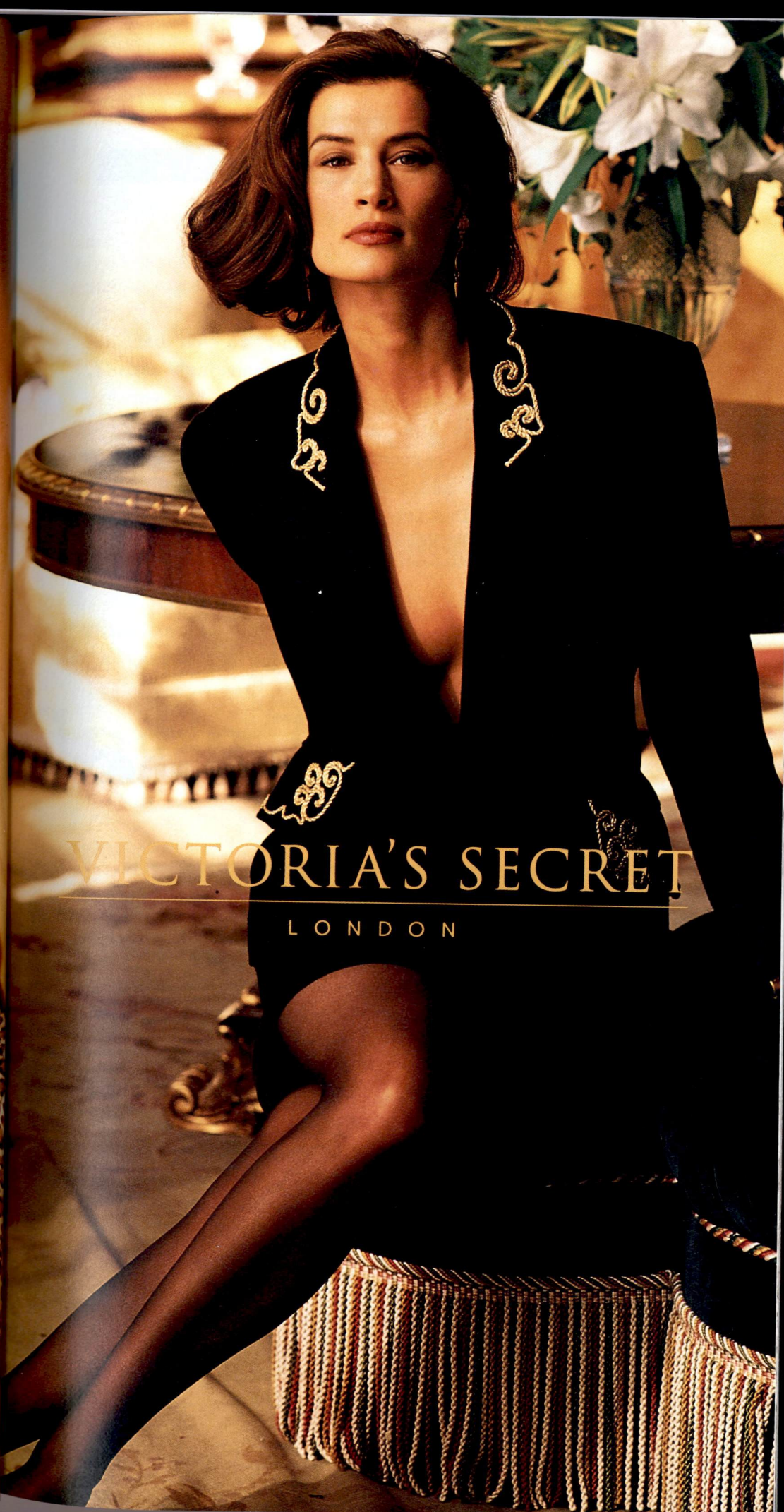
Diana Fiorillo, Philadelphia, Pennsylvania

Our basic strategy is continuous improvement in product quality, fashion innovation and client service. That is how we will accomplish our mission, which is to be the first \$1 billion specialty lingerie retailer, while maintaining quality margins.

We will get those great results because we have talented people who are well supported and who understand what they're doing. GN

Best Seller

At Victoria's Secret Stores, Chris Peterson, Merchandiser of Foundations, and her merchandising team turned to a new exclusive fabric for a unique combination of sensual appeal, comfort and color. We also used only one vendor to produce this item because we wanted consistently high quality. After hitting the stores in July, 1992, the "second skin satin" bra has become the best-selling bra in our history.



VICTORIA'S SECRET
LONDON

How was 1992 in terms of our goals to reduce back orders and improve the quality of the merchandise?

Jeff Longwell, Columbus, Ohio

I hesitate to say excellent because the job is never finished, but it was very good.

Let me quote some key statistics, so you can see how much we did in a year. In the season just passed, our percent of out-of-stock goods — our back-orders — improved by almost 40%. And our actual return rate dropped by almost 2 percentage points, resulting in over \$4 million of additional sales. Both of these elements are contributing to the improved response rates we are seeing this season — and of course to increased profits.

Cynthia Fedus, President

All Together Now

Instead of isolating quality functions in one department, Victoria's Secret Catalogue has charged all of its departments, from merchandising and human resources to finance and systems, with improving quality. By the end of 1992, catalogue copy and colors matched better, smarter procedures in the phone and distribution center were catching mistakes before they could happen, and quality report cards helped the division track — and drop — manufacturers who consistently failed to improve. All two thousand associates were involved.

smaller goals that are necessary in between.

It's a big challenge. But as I said last year, if there's any group that can do it, it's you. CF

What is your favorite part of your job?

Rob Gagnon, New York, New York

There isn't just one, there are many. But there are two that stand out.

Bankingacting Victoria's Secret Catalogue The Process!

When you look into the future, and our Billion Dollar Dream, what changes do you see being made to our catalogue?

Gretchen Zuiderweg, Pickerington, Ohio

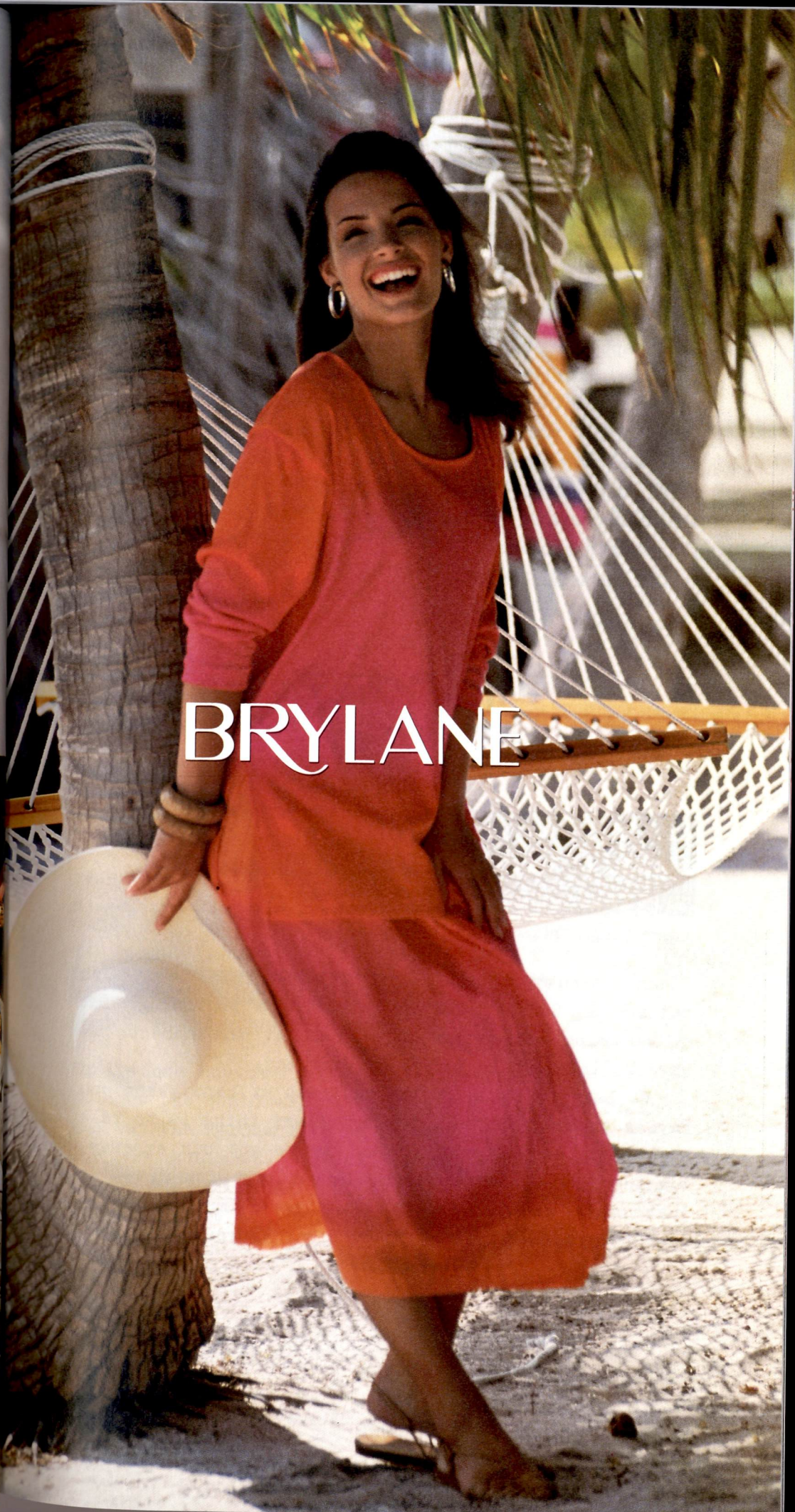
Let me clarify the word "dream." This division has a track record of turning dreams into reality. To build our sales per page, we will intensify our emphasis on fashion, quality and service. Our page counts will probably increase, so that we can expand certain categories . . . and of course, we will continue to push our circulation — as far and as fast as it is financially smart to do.

What won't change is our basic approach. There's a sign over my desk. It says, "Partners in a Billion Dollar Dream," and it's covered with your signatures. We have always been a great team — that is our "secret." We will continue to work together to achieve the billion dollar goal, and to achieve all of the

First, the joy I feel, and see others feel, when this group concentrates on a task and achieves results. We converted our computer systems with minimal disruption to the business. We moved into our new building without missing a beat. We said we were going to fix quality, everyone focused on it, and I believe we made major progress. You have no idea how good that makes a leader feel.

The second is seeing people come here, work hard, do well and get rewarded through promotions. Our growth and expansion keep creating new needs and new positions. And that's very gratifying. CF

Year Founded: 1977.



There seems to be much dialogue proclaiming the 90s as the "value" decade. How do you see that impacting our image and fashion strategies?

Steve Marks, New York, New York

If anything, it works to Brylane's advantage. Our basic appeal has always been value. In fact, considering the quality of our merchandise and service, we deliver great value. That's one reason we had such a great 1992, and saw a marked increase in our customer base and re-order file. Our prices were really competitive, but we also bought competitively — so we made the same margin on our low-priced as on our higher-priced merchandise.

Peter J. Canzone, President

When we separated the three Brylane businesses a few years ago, it was a big step. Is it an unqualified success?

Bob Hynes, New York, New York

Well, 1992 was the first time since we separated the business that we're going on all three cylinders, with an extremely good year in each. So based on 1992, it's easy to say yes.

More generally, the separation has worked because it enabled us to create three very entrepreneurial businesses, with three sets of brains thinking about business issues. Lane Bryant and Roaman's are the best example. In merchandise, price line and customers, each has its own look and image, and each means different things to the same customer.

ssRoaman's Brylane Lane Bryant LernerDirectQu

Are there any plans to expand either the retail or catalogue operations to a multinational operation?

Sharon Clark, Indianapolis, Indiana

I can't speak for the retail divisions. We are testing mailing in Canada, and maybe that's a beginning. But we're doing one thing at a time. At the moment, we have no interest in Europe or overseas.

We have to focus on the business at hand. When you have a successful year, the important thing is to take advantage, and do even better. We've got our expenses tightened down, and customers are happy with us — we just can't get complacent. It's more important than ever to remember that it's tough out there. PJC

For the customer, it's like having two different stores to shop in. We probably would have made them resemble each other a lot more. But we left them alone, and they did great. PJC

What can I do to help the company?

Jerry Maxwell, New York, New York

Handle one customer at a time. Everything we do that touches the customer, whether it's a telephone call or the way the merchandise is packed, is absolutely vital for the business. The difference between the catalogues that will make it in the 90s, and those that won't, will be the level of service. PJC

Year Founded: 1922.

What is our number one challenge as a company in 1993?

Doug Schad, Minneapolis, Minnesota

As our growth accelerates, we need to stay in control, to think like a small business and to keep focused. Our focus in 1993 must remain on our customer, so that we can add more items to his wardrobe. If we can expand beyond weekend wear, we will capture a larger percentage of what our customer spends on his clothing. The bottom line will tell us whether we're succeeding.

David Mangini, President

Who are our designers?

Dana DiLorenzo, Cleveland, Ohio

We are asked this question frequently, and we consider it a compliment because that's our goal: to look like everything was designed by one person, or one set of people working for a "name" designer.

Questioning Thinking Acting Structure

In reality, we have no in-house designers. We offer customers the fashion choices we think they will want, and we let them tell us what should go into our collection. It's that simple. DM

When do you project Structure will reach the \$1 billion mark?

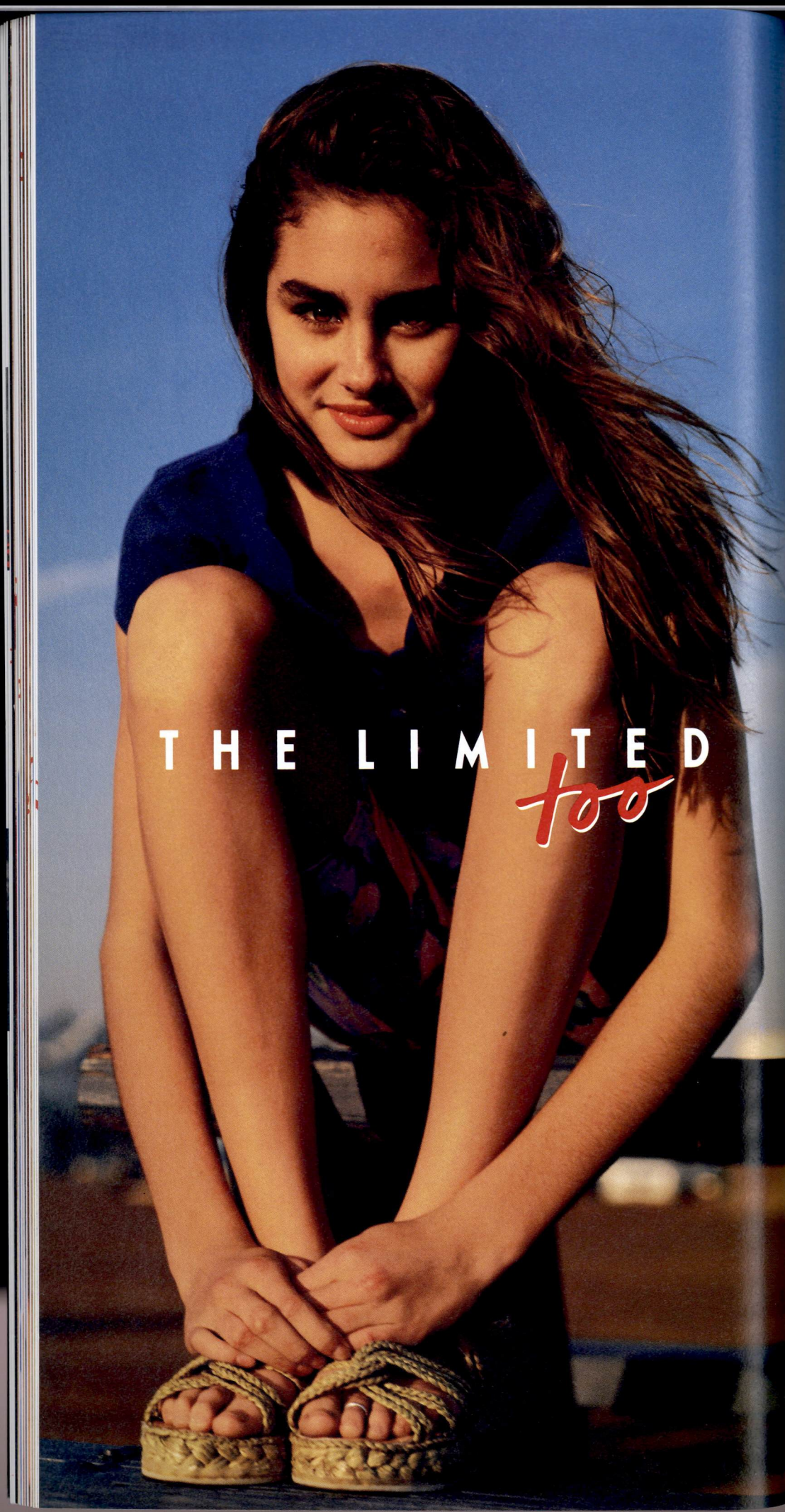
Lyn Pleggenkohle, Palm Springs, California

As we re-project every year, our target date seems to be getting closer and closer. We used to say the late 90s. Last year, in this report, I said we were hoping for 1996. But looking at our progress to date, I think we should aim at 1995 as our stretch goal. We are clearly on our way. DM

Year Founded: 1987. Selling Sq. Ft.: 1,076,000. Number of Stores: 330.



STRUCTURE



How does the company determine what styles young girls will like from season to season?

Amy Zaleta, Dallas, Texas

Our merchant team shops the U.S. from coast to coast, watching and seeing trends as they develop. We stand outside L.A. middle schools, we watch the hot TV shows . . . and we also go to Europe. The closer you stay to kids, the more right you will be.

Susan O'Toole, Vice President and General Manager

ng The Limited Too The Process Continue

What do you consider to be the key factors in creating such a strong Fall season?

How do we plan to keep this going?

Marla Wilson, Westerville, Ohio

We had a very dominant casual sportswear collection for back-to-school, and it escalated for the Holiday season. We really broke through in casual clothes, things that girls live in every day. The store was outfit-driven, and we had a clear win in head-to-toe color — jeans, workshirts and sweatshirts that girls couldn't find anywhere else.

Now we just have to keep doing, and improving on, what worked. Everyone's superlative effort in the Fall of 1992, and incredible attention to detail, paid off. Our improved sales and profits in the Holiday season are just the beginning. SO

What is the foreseen growth of The Limited Too in the not-so-distant future?

Eileen Rittenhouse, Westerville, Ohio

We are planning for continued double-digit growth from our existing base of stores. If we hit our targets, there can be promotions within stores as we all mature. Our achievements last year give us our future. They give us tomorrow. SO

Year Founded: 1987. Selling Sq. Ft.: 567,000. Number of Stores: 185.

Why has the company changed its image?

Laurie DeFazio, Stamford, Connecticut

It hasn't, not really. Teddy Roosevelt and Commodore Perry — two customers who helped make Abercrombie & Fitch famous — were forward-thinking, vigorous people. Abercrombie & Fitch got dusty over the years, but our real heritage was a youthful, active spirit. As we grow, we are staying true to those traditions.

Michael Jeffries, President

Abercrombie & Fitch Co. Questioning

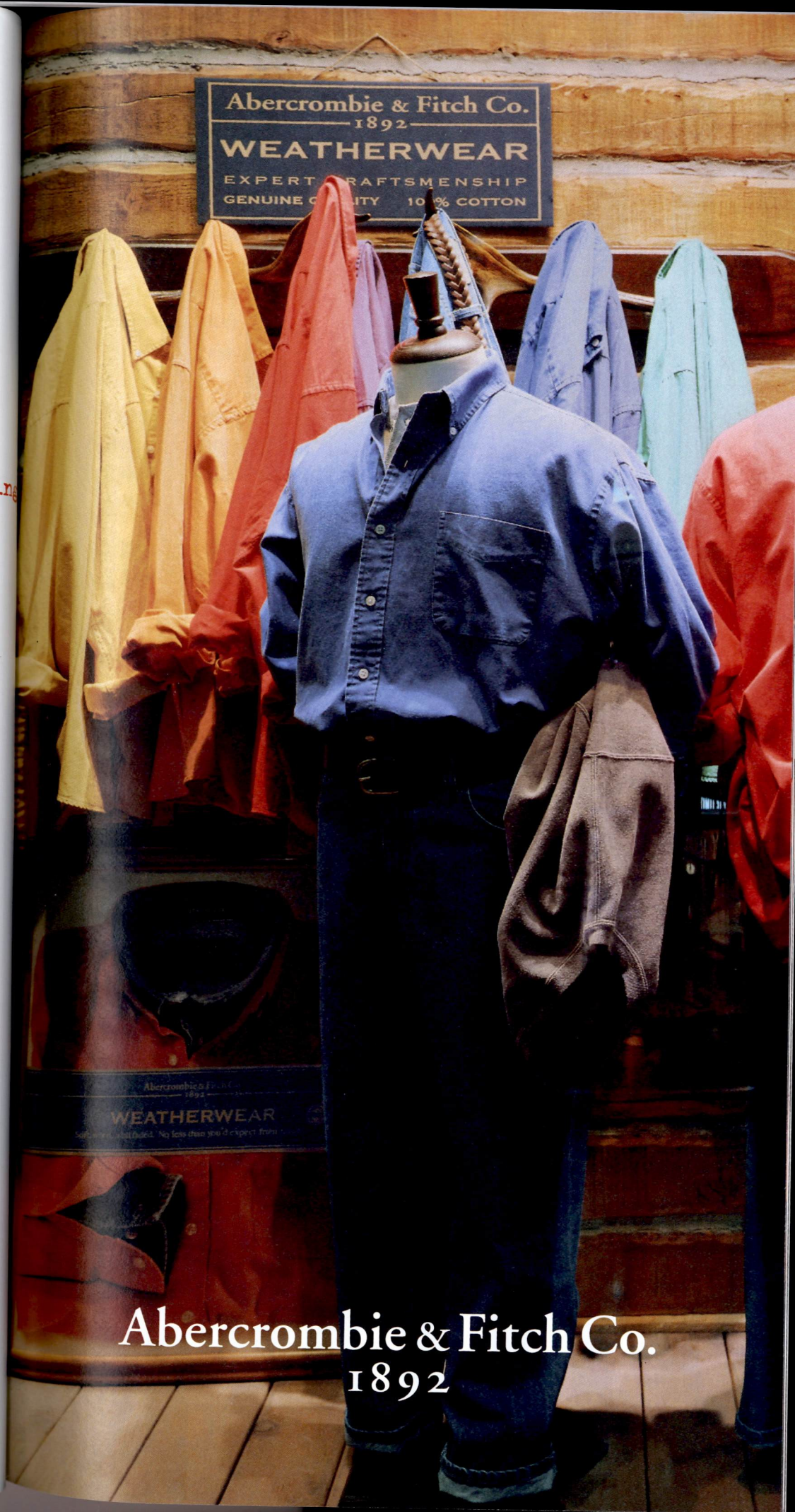
What is our target demographic group?

Christopher J. Brown, Washington, D.C.

Our job is to turn each person who walks past our storefront into an actual customer. And although we are targeting hip, young-thinking men and women, we plan to appeal to a broad demographic group. Think of it this way: no one wants clothes that make them look stuffy, dowdy, serious and un-cool. It's just the opposite. People want to feel sexy, young, good-looking, relaxed — and they want to have fun. We will provide that. We will be the modern American classic.

We're clearly making progress as a team. We've doubled our business in men's sport shirts, for instance, and our business has improved in knits. We've had a successful Fall 1992 season, and we are in a great position to grow profitably. MJ

Year Founded: 1892. Selling Sq. Ft.: 332,000. Number of Stores: 40.



Abercrombie & Fitch Co.
1892



HENRI BENDEL
NEW YORK

What is our "single" greatest challenge?

Penny Randall, New York, New York

To keep pace with our customer. She is responding so quickly to new fashion that we have to be out there each minute just to keep up with her. She expects to find new fashions first at Bendel's, and we will not disappoint her.

Susan Falk, President

**What is your goal for Henri Bendel
January 1, 2000?**

Teresa Tymoski, New York, New York

To be the most exciting high fashion specialty store in the world, with sales and profits equal to the highest standards of The Limited, Inc. 1992 was a year of fabulous growth for us, and this is just the beginning. SF

Thinking Acting Henri Bendel The Process

**What exactly are we looking for in terms of
productivity before we can expand?**

Ed Burstell, New York, New York

It's not only sales per square foot, but also knowing that we have superb execution in our assortments, successes we know we can replicate, and returns on investment up to the Company's standards. We're very close, with comparable store sales increases in each of our stores in 1992, in very different markets and locations. SF

Year Founded: 1896. Selling Sq. Ft.: 93,000. Number of Stores: 4.

Can we keep up with our customers' demands?

Andrea Samra, Methven, Massachusetts

Absolutely, because our store associates are focused not only on being outstanding salespeople, which is our number one priority, but also on listening to our customers. By listening, we determine their needs, as well as what they like and what they want that may be different or even better. That way, we anticipate our customers' demands, and satisfy them with the right quantities of the right products.

Beth Pritchard, Executive Vice President

Why did we change the labels on the products?

Marge Salerno, Ft. Edward, New York

We changed our labels to emphasize our products' natural, healthy, good-for-you ingredients. Since this is what the customer is looking for, and a major difference between our competition and us, we wanted to make it absolutely clear.

Additionally, we now carry products in many personal care categories. Our new labels give each one a special touch and look that reflects both the product benefits and our overall image. BP

tinues Bath & Body Works Questions

Why don't we carry cosmetics?

Jenny May, Plano, Texas

We have looked at cosmetics and many other areas, but we won't enter a category until we know we will have superior product benefits that customers will recognize and want, so that they will choose our products over our competitors'. By using this as a standard, we will generate not only trial use but — more importantly — strong repeat purchases.

We will continue to do our homework and add new products when everything is right: the product, performance, positioning, packaging and marketing. BP

Year Founded: 1990. Selling Sq. Ft.: 132,000. Number of Stores: 121.





L I N G E R I E
CACIQUE

PARIS 1936

How does a new business like Cacique, with so many new associates joining our team, create and evolve its own culture?

Kathy Grastataro, Gahanna, Ohio

Communication is key, and here's an example of how it helps us improve. In November, we had our first quarterly exchange luncheon, bringing together associates from different areas of the business. Associates had great ideas, such as developing a Cacique newsletter, and using a buddy system in training our new distribution associates. We've acted on these suggestions, and many more. The food wasn't fancy, but it was one of the best lunches I've ever had.

Elaine Letkowitz, Executive Vice President and General Manager

inking **Cacique** ActingTheProcessContinu

What is Cacique's long-term strategic plan, and how are we going to achieve it?

Pam Hendricks, Columbus, Ohio

Simply stated, our strategy is to make Cacique the number one lingerie brand in America, by offering the customer high-quality, fashion-forward, affordably priced merchandise in an exciting shopping environment.

We know we can do it because, with broader assortments in 1992, we saw a good increase in same-store sales over 1991. Our customer is getting to know us, she's coming back, and she's saying, "Yes, I like it — and I'll take it." EL

Year Founded: 1988. Selling Sq. Ft.: 186,000. Number of Stores: 71.

Penhaligon's Questioning Thinking Act

Will there be any new fragrances in the future, considering Cornubia's success?

Carol Ann Carter, Covent Garden

You are right that Cornubia has been a great success. If there is a niche for other new fragrances, then we will develop them — it's one of the things at which we are best.

However, our new product emphasis is elsewhere. Our growth potential is far greater when we think of ourselves as selling luxury gifts, and not just perfumes. So, our emphasis is on developing Grooming Items, Travelling Requisites, and Collectibles.

Sheila Pickles, President

It's high time Penhaligon's opened in Paris, n'est-ce pas?

Sue Phillips, Mayfair

It's very tempting, and so is Milan . . . but the U.S. has to be our priority. It's the market with the greatest growth potential for us, because it offers the greatest opportunity to duplicate our success in store after store. That is why we began testing in a ground-floor shop-in-shop in Saks Fifth Avenue last September. We have set ourselves tough sales-per-square-foot targets, and — if we reach them — we will have proven to ourselves that we have a customer franchise in the U.S.

But we should already be proud of what we've accomplished in England. With zero growth in the retail industry in 1992, our shops were up more than 10% — a major, major achievement. And it proves that all the things we have been working on — shop fitting, presentation, stock availability, advertising and promotion — are in the right direction. Our future is very exciting. SP

Year Founded: 1870. Selling Sq. Ft.: 3,000. Number of Stores: 6.



What is Mast's greatest competitive strength as a supplier to The Limited, Inc.?

Elizabeth Carter, Taiwan

We make our customers' needs our highest priority! We provide high-quality, low-cost products and the quickest possible delivery time. We're able to do this because of high volume, use of technology, and our long-term relationships with our customers and our suppliers around the world.

Martin Trust, President

What is our long-term sourcing strategy?

Ed Chan, Hong Kong

Remaining responsive to customer needs, by going wherever we have to for the best quality, price and delivery terms. In fact, we are currently evaluating sourcing opportunities in the United States, particularly in denim and knitwear. Some other sourcing possibilities

are Eastern Europe, Mexico, Turkey and Indonesia.

In addition, we will continue to develop strategic alliances around the world. For instance, we have an arrangement with a large European retailer. They help us with manufacturing in Eastern Europe, and we help them with manufacturing in Asia. MT

Is there a contradiction in our goals — can we have quality and speed sourcing?

Michelle Li, Hong Kong

Quality and speed are relative. We just have to balance them. If we have a good relationship with our customer, then we can explain the trade-off. I feel the corporate objective of improving quality is shared by everyone, in both the retail divisions and here at Mast. MT

Mast competes with other suppliers to obtain the best possible garments and service for our retail divisions.





Process Continues Questioning Store Planning This

Over the years, competitors have imitated us so that we no longer stand out in the mall. What are we doing to stay ahead of the competition?

Debbie Myers, Granville, Ohio

I disagree with the idea that we don't stand out. We make sure that every element, from the sign and the storefront to the carpet and the lighting, is meaningful. And we use quality materials in a very clever way, so that we're not just another pretty face. Our customers are pretty savvy, and they appreciate our attention to detail.

Of course, we're constantly redesigning and refining the stores to make them fresh, and to make sure they match the customers' aspirations. It is very competitive out there. As other stores see what we're doing, we have to stay ahead. So you will continue to see evolutionary changes at our divisions.

Charles W. Hinson, President

Are the special projects such as Dadeland, Moreno Valley and the Mall at St. Matthews as profitable as projected? Will these types of projects be an emphasis going forward?

Becky Rousseau, Columbus, Ohio

The only one with any history is Miami's Dadeland, and yes, sales and profits are higher than anticipated. At the Mall at St. Matthews in Louisville, although it's too early to speculate, we do know that sales per square foot for the total mall are up more than 20%. We are also looking at other ways of generating traffic in our stores, for instance by making sure that we are close to music stores, restaurants and other good retailers. We will use all opportunities to build sales and make them more profitable. We've got wonderful businesses to expand. CWH

Limited Store Planning has a clear mission: to design and build the best stores in the country.

How do we continue to sustain our growth when there is a shortage of quality real estate available?

Jamie Bersani, Gahanna, Ohio

There's obviously vast potential to expand our growth businesses. We can continue to build our power businesses by relocating them to the best retail locations, and in properly sized — usually larger — store formats.

More generally, we are continuing to study and test shopping alternatives. These may be "mega-malls" in new shopping centers, dominated by specialty stores instead of department stores. They could also be a return to traditional neighborhood shopping districts — but rejuvenated, re-energized.

John DeWolf, Vice President & Buck R. Sappenfield, Vice President

Limited Real Estate leases the best possible space for our divisions.

How do you see typical mall customers changing in the 90s, and how will The Limited Inc. reposition itself to continue appealing to these customers?

Tim Rollins, Columbus, Ohio

We have to make malls more appealing to more customers, in part by getting the so-called "category killers" back. Entertainment and social attractions such as theaters and casual restaurants — not just stand-up fast food — are also part of the new mix. We are actively promoting this kind of coordination, by designing our superstore formats to accommodate neighboring entertainment and food retailers in an appealing, unified presentation.

Malls are at the crossroads all over the country, but they have not yet realized their potential to become the shopping, entertainment and social centers for their communities. That should be our goal for the 90s, turning the shopping malls into shopping cities.

JDW & BRS

Banking Real Estate Acting The Process Questioning

Sq. Ft.



X

Signature

Thinking Acting The Process Credit Services Co

What is the one thing you would ask each associate to do to improve our business?

Katie Baranek, Sunbury, Ohio

Think about what you're doing, so that you're constantly questioning: How can I do this better? How can I do it for less? What if I didn't do it at all? Delivering superior service is a day in, day out job. It doesn't get easier, it doesn't end, but it does get more interesting as customer expectations are raised by what we've done. And for what we've done so far, I want to say . . . thank you. Ralph E. Spurgin, President

What is your vision for LCS over the next five years?

Kathy Hanley, Westerville, Ohio

On an organizational level, I want to build an empowered, collaborative associate culture focused on three key actions: innovate, adapt, execute.

We have to handle our calls in a way that dazzles the customer. Customers don't care whether we're using an abacus or a supercomputer. What they care about is the voice on the phone, and the speed and quality of the service. And that is how we will continue to be an excellent retail credit organization, from both a financial and customer-satisfaction point of view. RES

How can we help the retail divisions in their marketing strategy?

David Nack, Dublin, Ohio

We can increase the value of our cards to our customers and our stores with inserts, sweepstakes, rebates, gold cards, skip-a-payment programs, benefits from non-competing retailers, and special event phone calls. RES

Limited Credit Services administers accounts for the credit cards issued by our retail and catalogue divisions.

Because we are not in the merchandising part of the business, it is hard to see how our efforts impact the business. How do we measure our impact?

Mike Gray, Columbus, Ohio

It's as though we're all linemen on a football team, helping the ball carrier score. We don't get all the glory, but it couldn't happen without us. It's amazing how many areas of the business rely on us to execute properly. If we don't do our part, customers are disappointed.

Our impact on the business boils down to one question: did the merchandise arrive on time and in good condition? We have several tools in place to give us this information, and our report card was very good in 1992. But we are constantly meeting to discuss ways of improving, and to come ever closer to perfection. We're a service unit, and that means that the better we do our job, the less anyone knows we're around.

C. Lee Johnson, President

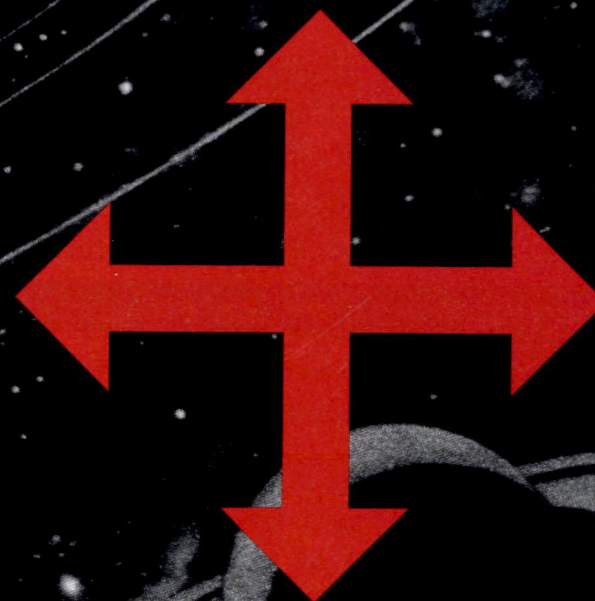
As LDS associates, what should our focus be to better the business?

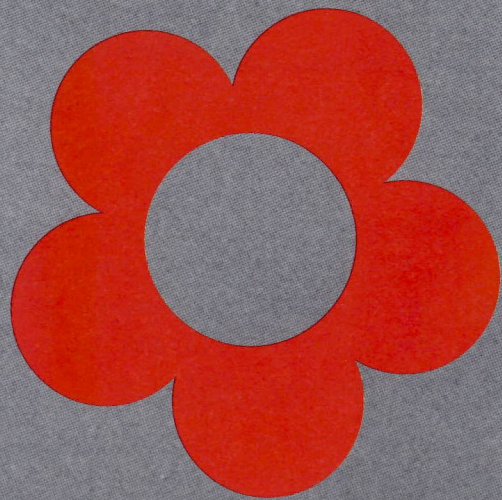
Phil Trabulsi, Columbus, Ohio

Focus on the task you are doing, and do it to the very best of your ability. If your job is to load a truck, do it swiftly and accurately, and use the space as well as possible. If your job is to write programs for our systems, write them as succinctly as possible, so that the systems will be fast and easy to use. If we all concentrate on our assigned tasks, and on getting better at them, our efforts will add up to total quality . . . and total success. CLJ

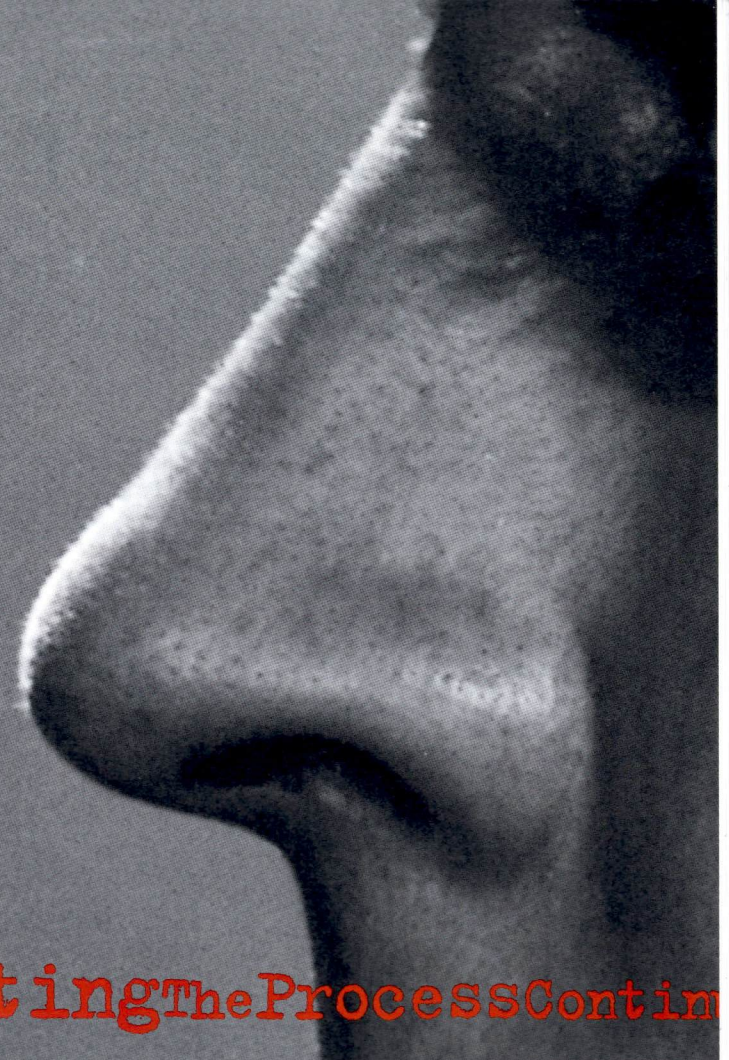
Limited Distribution Services supports the retail divisions with shipping/transportation and engineering/construction services.

inues Distribution Services Question





ing Gryphon Thinking Acting The Process Contin



Do you foresee any changes in Gryphon's policies and procedures due to the acquisition?

Glen Marks, New York, New York

No. We started as a 50-50 partnership with The Limited, Inc. From the beginning, our policies and procedures matched theirs . . . nothing has changed.

Robert J. Ruttenberg, President

Are there plans to develop products for other divisions?

Steve McCammon, Aberdeen, New Jersey

We believe we have to focus on serving the divisions we originally started with — Victoria's Secret and Bath & Body Works — and on building significant fragrance and toiletry businesses for them, to make them true destination stores for personal care products. These are still start-up businesses, and they require

a great deal of time and energy. In addition, our success has been so extraordinary that we need to concentrate on maintaining its momentum. RJR

How would you describe our growth during a year of economic recession?

Sally Windman, New York, New York

Nothing short of extraordinary. At Bath & Body Works, we have literally started a brand new business, and we've had phenomenal customer acceptance. We've been equally successful at Victoria's Secret, with both the Victoria and Rapture fragrances. RJR

Gryphon develops and supplies fragrances and toiletry products for our retail divisions.

Our Financials:

We have continued to demonstrate our financial

strength and flexibility in a difficult economic climate. Our ongoing challenge is to fully utilize our financial resources, so that we can satisfy our customers and increase returns to our investors.

Have we been able to capitalize on lower rents, lower land prices, etc. during these tough times?

Bob Hynes, New York, NY

We have achieved favorable occupancy costs, but not because of the recession. We bring something special to the shopping mall, something developers want and need under any economic circumstances: exciting, successful retail concepts that generate lots of traffic. Developers also understand that our stores cost more to build than others, and they factor this into their negotiations with us. And of course, it helps that landlords know they will get paid every month, on time, for the full term of the lease, when we become a tenant.

Kenneth B. Gilman, Executive Vice President and Chief Financial Officer

Do you consider all of our divisions to be growth businesses? Paul Hiers, Columbus, Ohio

Yes. All our divisions either are, or have the potential to be, growth businesses.

Some of our larger, older businesses are growing through repositioning, and others by remodeling their stores into larger size formats. Both approaches will help the businesses achieve higher sales per square foot and sales per store. And of course the newer businesses are increasing their numbers of stores and their sales per square foot.

The bottom line is that each of our businesses has a different growth profile, and each has the potential for significant and continued growth. KBG

Financial Summary

(thousands except Per share amounts, ratios and store and associate data)

Fiscal Year	1992	1991*	1990*	1989**	1988*	1987	1986	1985*	1984+	1983	1982*
Summary of Operations											
Net Sales	\$6,944,296	\$6,149,218	\$5,253,509	\$4,647,916	\$4,070,777	\$3,527,941	\$3,142,696	\$2,387,110	\$1,343,134	\$1,085,890	\$721,394
Gross Income	1,990,740	1,793,543	1,630,439	1,446,635	1,214,703	992,775	961,827	718,843	404,321	327,616	209,374
Operating Income	788,698	712,700	697,537	625,254	467,418	408,872	438,229	276,212	173,102	135,377	70,943
Income Before Income Taxes	745,497	660,302	653,438	573,926	396,136	378,188	394,780	239,317	157,495	134,939	60,592
Net Income	\$455,497	\$403,302	\$398,438	\$346,926	\$245,136	\$235,188	\$227,780	\$145,317	\$92,495	\$70,939	\$33,592
Net Income as a Percentage of Sales	6.6%	6.6%	7.6%	7.5%	6.0%	6.7%	7.2%	6.1%	6.9%	6.5%	4.7%
Per Share Results											
Net Income	\$1.25	\$1.11	\$1.10	\$.96	\$.68	\$.62	\$.60	\$.40	\$.26	\$.20	\$.10
Dividends	\$.28	\$.28	\$.24	\$.16	\$.12	\$.12	\$.08	\$.05	\$.04	\$.02	\$.01
Book Value	\$6.25	\$5.19	\$4.33	\$3.45	\$2.64	\$2.04	\$2.07	\$1.13	\$.77	\$.54	\$.35
Weighted Average Shares Outstanding	363,738	363,594	362,044	361,288	360,186	376,626	376,860	365,638	361,262	360,372	351,012
Other Financial Information											
Total Assets	\$3,846,450	\$3,418,856	\$2,871,878	\$2,418,486	\$2,145,506	\$1,929,477	\$1,726,544	\$1,494,313	\$657,242	\$425,240	\$367,979
Working Capital	\$1,063,352	\$1,084,205	\$884,004	\$685,524	\$567,639	\$629,783	\$586,827	\$419,706	\$180,960	\$101,665	\$82,305
Current Ratio	2.5	3.1	2.8	2.4	2.2	2.9	2.7	2.2	2.0	1.8	1.8
Long-Term Debt	\$541,639	\$713,758	\$540,446	\$445,674	\$517,952	\$681,000	\$417,420	\$670,744	\$150,139	\$68,763	\$121,411
Debt-to-Equity Ratio	24%	38%	35%	36%	55%	93%	53%	166%	55%	36%	99%
Shareholders' Equity	\$2,267,617	\$1,876,792	\$1,560,052	\$1,240,454	\$946,207	\$729,171	\$781,542	\$404,075	\$275,403	\$192,576	\$122,578
Return on Average Shareholders' Equity	22%	23%	28%	32%	29%	31%	38%	43%	40%	45%	33%
Stores and Associates at End of Year											
Total Number of Stores Open	4,425	4,194	3,760	3,344	3,497	3,115	2,682	2,353	1,412	937	825
Selling Square Feet	22,863,000	20,355,000	17,008,000	14,374,000	14,296,000	12,795,000	11,320,000	10,460,000	5,166,000	3,667,000	3,257,000
Number of Associates	100,700	83,800	72,500	63,000	56,700	50,200	43,200	33,600	17,700	15,300	13,500

+ Fifty-three week fiscal year.

* Includes the results of companies acquired subsequent to the date of acquisition.

** Includes the results of companies disposed of up to the disposition date.

Number of Stores

1963	1
1972	27
1977	188
1982	825
1987	3,115
1992	4,425

Management's Discussion and Analysis

RESULTS OF OPERATIONS

During the fourth quarter of 1992, sales increased 18% to \$2.428 billion, and net income was a record 10% of sales. Express achieved the highest sales volume of any division in the fourth quarter, and its operating income rate was the highest in the Company. Lane Bryant also achieved the best fourth quarter in its history in terms of sales, operating income and operating income rate.

For 1992, the Company achieved record sales volume of \$6.944 billion, a 13% increase versus last year, and net income increased 13% to \$455.5 million. Earnings per share also rose 13% to \$1.25 per share. Express led the Company in sales, operating income and operating income rate for the year. Lane Bryant posted a significant increase in operating income while Structure and Bath & Body Works had significant increases in both sales and operating income.

Financial Summary

The following summarized financial data compares 1992 to the comparable periods for 1991 and 1990:

	1992	1991	1990	% Change	
				1992-91	1991-90
Retail Sales (millions)	\$6,153	\$5,388	\$4,590	14%	17%
Catalogue Sales (millions)	791	761	664	4%	15%
Total Net Sales (millions)	\$6,944	\$6,149	\$5,254	13%	17%
Increase in Comparable Store Sales	2%	3%	3%		
Retail Sales Increase Attributable to New and Remodeled Stores	12%	14%	8%		
Retail Sales per Average Selling Square Foot	\$285	\$288	\$292	(1%)	(1%)
Retail Sales per Average Store (thousands)	\$1,428	\$1,355	\$1,292	5%	5%
Average Store Size at End of Year (square feet)	5,167	4,853	4,523	6%	7%
Retail Selling Square Feet (thousands)	22,863	20,355	17,008	12%	20%
Number of Stores:					
Beginning of Year	4,194	3,760	3,344		
Opened	323	484	463		
Closed	(92)	(50)	(47)		
End of Year	4,425	4,194	3,760		

Net Sales

Fourth quarter 1992 sales increased 18% to \$2.428 billion primarily due to the productivity of comparable stores which increased 8%, combined with the 9% increase in sales attributable to new and remodeled stores. Fourth quarter 1991 sales increased 18%, reflecting a 4% increase in comparable store sales in addition to sales attributable to new and remodeled stores.

The 1992 retail sales increase is a result of the 2% increase in comparable store sales combined with a 12% increase from the net addition of 231 stores and approximately 2.5 million selling square feet. Average store size in 1992 increased 6% to 5,167 square feet, while sales per average store increased 5%, resulting in a slight decline in average sales productivity to \$285 per square foot.

Catalogue sales increased 4% in 1992, corresponding to a 3% increase in the number of books mailed and a slight increase in customer demand per book.

Retail sales increased 17% during 1991, reflecting a 14% increase in volume from new and remodeled stores and a 3% increase in comparable store sales. Average store size in 1991 increased 7% to 4,853 square feet, while sales per average store increased 5%, resulting in a slight decline in average sales productivity to \$288 per square foot.

Catalogue sales increased 15% during 1991 as the number of books mailed during the year increased 16% while the average demand per book decreased slightly.

Gross Income

The fourth quarter 1992 gross income rate of 32.2% was flat when compared to 1991. Buying and occupancy costs, expressed as a percentage of sales, declined 1.0%, reflecting the favorable leveraging of these largely fixed costs by the 8% gain in comparable store sales. Merchandise margins, expressed as a percentage of sales, decreased approximately by the same amount, reflecting a generally higher level of promotional activity.

The fourth quarter 1991 gross income rate declined 0.7% to 32.2% of sales as compared to 1990. Buying and occupancy costs were not sufficiently leveraged by comparable store sales increases, and as a result these costs increased approximately 1.0%, expressed as a percentage of sales. Merchandise margins increased 0.3% principally due to lower markdowns.

The 1992 gross margin rate of 28.7% was 0.5% below the rate for 1991. Buying and occupancy costs, as a percentage of sales, increased 0.5% during the year principally as a result of lower sales productivity associated with new and remodeled stores. Selling productivity, expressed in terms of sales per average selling square foot, is typically lower in new and remodeled stores during the first years of operation because these stores are typically larger than average existing stores. Merchandise margins were about flat as compared to the prior year.

The 1991 gross margin rate of 29.2% declined 1.8% from 1990. Buying and occupancy costs, as a percentage of sales, increased 1.4% principally due to the typically lower initial sales productivity associated with new and remodeled stores, as described above. Merchandise margins also declined approximately 0.4%.

General, Administrative and Store Operating Expenses

These costs, expressed as a percentage of sales, were 15.1% and 15.5% during the fourth quarter of 1992 and 1991. In both quarters, these costs increased at a lower rate than sales for the respective period as a result of management's continued emphasis on selling payroll management and expense control.

General, administrative and store operating expenses, as a percentage of sales, were 17.3%, 17.6% and 17.8% for the fiscal years 1992, 1991 and 1990. The major component of these costs is store payroll, which for the last two years has increased at a lower rate than sales for the respective period, causing the overall rate to decline. The Company anticipates this trend will continue in fiscal year 1993.

Net Sales (in millions)

	CAGR 25% (Compound Annual Growth Rate, last ten years)
82	\$ 721
83	\$ 1,086
84	\$ 1,343
85	\$ 2,387
86	\$ 3,143
87	\$ 3,528
88	\$ 4,071
89	\$ 4,648
90	\$ 5,254
91	\$ 6,149
92	\$ 6,944

Interest Expense

	Fourth Quarter		Year-to-Date		
	1992	1991	1992	1991	1990
Average Daily Borrowings (in millions)	\$993.7	\$932.6	\$1,046.3	\$877.4	\$669.6
Average Effective Interest Rate	6.07%	6.69%	5.96%	7.29%	8.45%

Interest expense declined in the fourth quarter and for all of 1992 as compared to the comparable periods in 1991. During the fourth quarter, higher borrowing levels increased interest expense approximately \$1.0 million, while lower interest rates reduced interest expense by about \$1.5 million. For the year 1992, higher borrowing levels increased interest expense approximately \$12.3 million, while lower rates reduced interest expense approximately \$13.8 million.

Interest expense increased in the fourth quarter and for all of 1991 as compared to the comparable periods in 1990 due to the higher average borrowings partially offset by lower average interest rates.

Operating Income

Operating income, as a percentage of sales, was 11.4%, 11.6% and 13.3% for the fiscal years 1992, 1991 and 1990. The Company incurred higher fixed expenses, principally buying and occupancy costs resulting from new, remodeled and expanded stores during this period of high growth. Selling productivity is typically lower in these stores in the initial years following remodeling and expansion and resulted in lower operating income.

Gain on Issuance of United Retail Group, Inc. Stock

The 1992 results include a \$9 million pre-tax gain which resulted from the March, 1992 initial public offering of the United Retail Group, Inc. (URGI), a specialty retailer of large size women's apparel. URGI sold approximately 3.7 million shares of common stock at \$15 per share and received total consideration of approximately \$55.6 million. Prior to the initial public offering, the Company owned approximately a 33% equity interest; subsequent to the initial public offering, the Company's ownership was diluted to approximately 20%. The Company does not presently anticipate similar URGI transactions occurring in future periods. See "Summary of Significant Accounting Policies" for further discussion of this matter.

Acquisitions

Gryphon Development, L.P. (Gryphon) creates, develops and manufactures most of the bath and personal care products sold by the Company. Prior to June 1, 1991, the Company owned approximately 50% of Gryphon and accounted for such investment using the equity method. Effective June 1, 1991, the Company acquired an additional 15% of Gryphon for \$18.8 million and began including Gryphon in its consolidated financial statements.

Effective April 10, 1992, the Company acquired the remaining 35% of Gryphon for approximately \$60 million and separately entered into a non-compete agreement with certain of the former Gryphon partners in return for warrants to purchase 1.5 million shares of the Company's common stock. This acquisition is not expected to have a material effect on the Company's results of operations or financial condition.

The Company acquired Penhaligon's from Laura Ashley Holdings P.L.C. effective July 2, 1990 for approximately \$11 million. Penhaligon's, a British company, designs, distributes, wholesales and retails a variety of perfumes, toiletries, grooming accessories and antique silver gifts.

FINANCIAL CONDITION

The Company's balance sheet at January 30, 1993 provides continuing evidence of financial strength and flexibility. Cash provided by operating activities increased 59% over 1991. The Company's debt-to-equity ratio was only 24% at the end of 1992. A more detailed discussion of liquidity, capital resources and capital expenditures follows.

Liquidity and Capital Resources

Cash provided from operating activities, commercial paper backed by funds available under committed long-term credit agreements, and the Company's capital structure continue to provide the resources to support operations, including projected growth, seasonal requirements and capital expenditures. A summary of the Company's operating cash flows, working capital position and capitalization follows (000's):

	1992	1991	1990
Cash provided by operating activities	\$754,128	\$475,637	\$424,471
Working capital	\$1,063,352	\$1,084,205	\$884,004
Capitalization:			
Long-term debt	\$541,639	\$713,758	\$540,446
Deferred income taxes	274,844	267,315	254,304
Shareholders' equity	2,267,617	1,876,792	1,560,052
Total capitalization	\$3,084,100	\$2,857,865	\$2,354,802
Additional amounts available under long-term credit agreements	\$811,000	\$536,000	\$760,000

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

	1992	1991	1990
Debt-to-equity ratio (long-term debt divided by shareholders' equity)	24%	38%	35%
Debt-to-capitalization ratio (long-term debt divided by total capitalization)	18%	25%	23%
Interest coverage ratio (income before interest expense, depreciation, amortization, and income taxes divided by interest expense)	17x	15x	16x
Cash flow to capital investment (net cash provided by operating activities divided by capital expenditures)	176%	91%	99%

Net cash provided from operating activities totaled \$754.1 million, \$475.6 million and \$424.5 million for 1992, 1991 and 1990, respectively. In 1992, inventory levels increased at a slower rate than either sales or additional selling square feet, reflecting a tighter approach to inventory management. This required only \$73.7 million in cash, or \$71.2 million less than last year. The timing of payments for merchandise and other payables in 1992 compared to 1991 provided an additional \$109.5 million cash from operations. In addition, an increase in income taxes payable provided an additional \$52.0 million of cash as compared to 1991 due to the timing of tax payments associated with the fourth quarter earnings increase.

At January 30, 1993, the Company had available \$811 million under \$840 million of long-term credit agreements. Currently, the Company has the ability to offer up to \$250 million of debt securities and warrants to purchase debt securities under a shelf registration statement after giving effect to the sale by the Company in March, 1993 of \$250 million aggregate principal amount of its 7 1/2% Debentures due 2023.

Capital Expenditures

Capital expenditures amounted to \$429.5 million, \$523.1 million and \$428.8 million for 1992, 1991 and 1990, respectively, of which \$258.2 million, \$311.6 million and \$302.8 million was for new stores and remodeling and expanding existing stores. Approximately \$29 million was expended in 1992 for the completion of the fulfillment center and office facility in Columbus, Ohio for Victoria's Secret Catalogue. In addition, office facilities previously committed under a long-term lease were acquired in 1992 for approximately \$101 million.

The Company's investment activities for 1992 and 1991 included \$60 million and \$18.8 million, respectively, for the acquisition of Gryphon Development, L.P., now a wholly-owned subsidiary. The 1990 investment activities included approximately \$11 million for the acquisition of Penhaligon's.

The Company anticipates spending \$400 - \$450 million for capital expenditures in 1993, of which \$275 - \$300 million will be for new stores, the remodeling of existing stores, and related improvements for the retail businesses.

The Company has announced its intention to add approximately 2.5 million selling square feet in 1993, which will represent an 11% increase over year-end 1992. It is anticipated that this increase will result from the net addition of approximately 350 new stores and the remodeling of approximately 290 stores. A summary of stores and selling square feet by division for 1991, 1992 and goals for 1993 follows:

	Goal-1993	1992	1991	Change From 1993 - 1992	Change From 1992 - 1991
Express					
Stores	690	640	611	50	29
Selling Sq. Ft.	4,035,000	3,470,000	2,926,000	565,000	544,000
The Limited					
Stores	772	759	773	13	(14)
Selling Sq. Ft.	4,623,000	4,257,000	3,927,000	366,000	330,000
Lerner New York					
Stores	925	915	910	10	5
Selling Sq. Ft.	7,102,000	6,963,000	6,515,000	139,000	448,000
Lane Bryant					
Stores	824	809	786	15	23
Selling Sq. Ft.	3,900,000	3,755,000	3,522,000	145,000	233,000
Victoria's Secret Stores					
Stores	595	545	507	50	38
Selling Sq. Ft.	2,455,000	2,029,000	1,666,000	426,000	363,000
Structure					
Stores	405	330	240	75	90
Selling Sq. Ft.	1,506,000	1,076,000	676,000	430,000	400,000
The Limited Too					
Stores	185	185	172	0	13
Selling Sq. Ft.	568,000	567,000	514,000	1,000	53,000
Abercrombie & Fitch Co.					
Stores	55	40	36	15	4
Selling Sq. Ft.	449,000	332,000	287,000	117,000	45,000
Henri Bendel					
Stores	4	4	4	0	0
Selling Sq. Ft.	93,000	93,000	93,000	0	0
Bath & Body Works					
Stores	201	121	95	80	26
Selling Sq. Ft.	255,000	132,000	99,000	123,000	33,000
Cacique					
Stores	111	71	54	40	17
Selling Sq. Ft.	328,000	186,000	127,000	142,000	59,000
Penhaligon's					
Stores	6	6	6	0	0
Selling Sq. Ft.	3,000	3,000	3,000	0	0
Total Retail Divisions					
Stores	4,773	4,425	4,194	348	231
Selling Sq. Ft.	25,317,000	22,863,000	20,355,000	2,454,000	2,508,000

Impact of Inflation

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

Adoption of Accounting Standards

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes." This Statement requires the adoption of new tax accounting and disclosure rules by 1993. The Company will adopt the new standard in 1993 and will not elect to restate prior periods. The impact is anticipated to be immaterial.

SFAS No. 106, "Employer's Accounting for Post-Retirement Benefits Other Than Pensions," was issued by the FASB in December, 1990. This Statement essentially requires, beginning in 1993, the accrual method of accounting for these benefits during the pre-retirement term of employment rather than the cash basis of accounting used by most employers. This pronouncement will have no material impact on the Company's financial statements under its current benefit structure.

SFAS No. 112, "Employer's Accounting for Postemployment Benefits," was issued by the FASB in January, 1993. The Statement essentially requires, beginning in 1994, the accrual method of accounting for postemployment benefits such as salary continuation, severance pay, supplemental unemployment and disability related benefits if certain conditions are met. This pronouncement will have no material impact on the Company's financial statements under its current benefit structure.

Net Income (in millions)

CAGR 30%

82	\$ 34
83	\$ 71
84	\$ 92
85	\$ 145
86	\$ 228
87	\$ 235
88	\$ 245
89	\$ 347
90	\$ 398
91	\$ 403
92	\$ 455

Selling Square Feet (in thousands)

82	3,257
83	3,667
84	5,166
85	10,460
86	11,320
87	12,795
88	14,296
89	14,374
90	17,008
91	20,355
92	22,863

Consolidated Statements of Income

(thousands except per share amounts)

	1992	1991	1990
Net Sales	\$6,944,296	\$6,149,218	\$5,253,509
Costs of Goods Sold, Occupancy and Buying Costs	4,953,556	4,355,675	3,623,070
Gross Income	1,990,740	1,793,543	1,630,439
General, Administrative and Store Operating Expenses	1,202,042	1,080,843	932,902
Operating Income	788,698	712,700	697,537
Interest Expense	(62,398)	(63,927)	(56,609)
Other Income, net	10,080	11,529	12,510
Gain on Issuance of United Retail Group Stock	9,117	--	--
Income Before Income Taxes	745,497	660,302	653,438
Provision for Income Taxes	290,000	257,000	255,000
Net Income	\$455,497	\$403,302	\$398,438
Net Income Per Share	\$1.25	\$1.11	\$1.10

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

Lenders have cut back on lending to the real estate industry over the last several years. Do you see this as a continuing problem for shopping center developers, or are things starting to improve? Bob McAndrew, Dublin, Ohio

Regional shopping malls have consistently been an excellent investment in good times and bad. Even during the recent recession, which was characterized by the worst decline in real estate values since the 1930s, regional malls continued to be very sound investments.

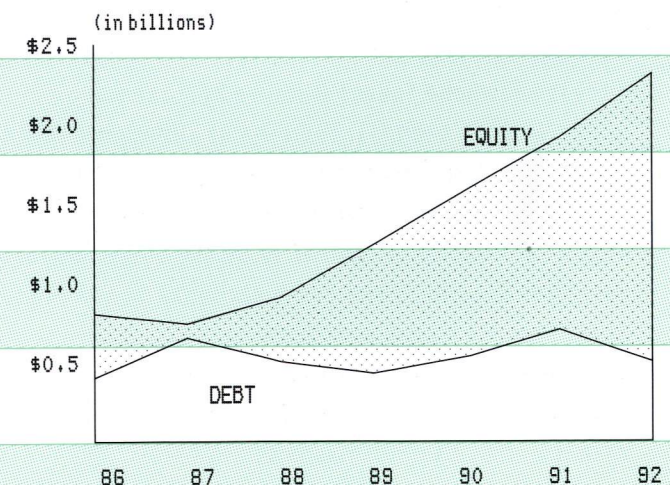
Unfortunately, in recent years institutional lenders and government regulators tended to view all forms of real estate as a single class of asset. This practice did not properly differentiate regional malls from other forms of real estate, such as office buildings and other commercial real estate; it was all simply "real estate" to the bank examiners. This caused a credit crunch for the regional mall industry — I think unfairly. But things are starting to improve. And the best projects can now be financed, particularly if The Limited makes a major commitment to the project when it is still in the planning phase. KBG

Consolidated Balance Sheets

(thousands)

	Jan. 30, 1993	Feb. 1, 1992
Assets		
Current Assets		
Cash and Equivalents	\$41,235	\$33,735
Accounts Receivable	837,377	735,832
Inventories	803,707	730,050
Other	101,811	104,708
Total Current Assets	1,784,130	1,604,325
Property and Equipment, net	1,813,948	1,657,084
Other Assets	248,372	157,447
Total Assets	\$3,846,450	\$3,418,856
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	\$309,092	\$199,756
Accrued Expenses	274,220	265,267
Income Taxes	137,466	55,097
Total Current Liabilities	720,778	520,120
Long-Term Debt	541,639	713,758
Deferred Income Taxes	274,844	267,315
Other Long-Term Liabilities	41,572	40,871
Shareholders' Equity		
Common Stock	189,727	189,727
Paid-in Capital	127,776	100,929
Retained Earnings	2,136,794	1,783,027
	2,454,297	2,073,683
Less Treasury Stock, at cost	(186,680)	(196,891)
Total Shareholders' Equity	2,267,617	1,876,792
Total Liabilities and Shareholders' Equity	\$3,846,450	\$3,418,856

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



Consolidated Statements of Shareholders' Equity

(thousands)

	Common Stock		Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
	Shares Outstanding	Par Value				
Balance, February 3, 1990	179,843	\$94,863	\$196,232	\$1,168,842	\$(219,483)	\$1,240,454
Net Income	--	--	--	398,438	--	398,438
Cash Dividends	--	--	--	(86,414)	--	(86,414)
Exercise of Stock Options & Other	738	--	(2,131)	--	9,705	7,574
Two-for-One Stock Split	180,017	94,864	(94,864)	--	--	--
Balance, February 2, 1991	360,598	189,727	99,237	1,480,866	(209,778)	1,560,052
Net Income	--	--	--	403,302	--	403,302
Cash Dividends	--	--	--	(101,141)	--	(101,141)
Exercise of Stock Options & Other	1,188	--	1,692	--	12,887	14,579
Balance, February 1, 1992	361,786	189,727	100,929	1,783,027	(196,891)	1,876,792
Net Income	--	--	--	455,497	--	455,497
Cash Dividends	--	--	--	(101,730)	--	(101,730)
Exercise of Stock Options & Other	862	--	6,598	--	10,211	16,809
Warrants Issued for Acquisition	--	--	20,249	--	--	20,249
Balance, January 30, 1993	362,648	\$189,727	\$127,776	\$2,136,794	\$(186,680)	\$2,267,617

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

Shareholders' Equity (in millions)

CAGR 34%

82	\$ 123
83	\$ 193
84	\$ 275
85	\$ 404
86	\$ 782
87	\$ 729
88	\$ 946
89	\$ 1,240
90	\$ 1,560
91	\$ 1,877
92	\$ 2,268

Net Income per Share

CAGR 29%

82	\$ 0.10
83	\$ 0.20
84	\$ 0.26
85	\$ 0.40
86	\$ 0.60
87	\$ 0.62
88	\$ 0.68
89	\$ 0.96
90	\$ 1.10
91	\$ 1.11
92	\$ 1.25

How will The Limited use new technology to improve service to our customers?

Raymond E. Hissenbotton II, Indianapolis, Indiana

We think of service in two ways. First, there's personal, hands-on customer service in the store or on the telephone. Technology can enable us to improve this type of service by helping us to better train our sales associates and by making transaction processing at the check-out counter or over the phone faster and more efficient.

Second, technology helps us improve customer service by improving our ability to bring customers more of what they want, when they want it and at the best possible price. Customers may not always think of this as "service," but it is, and it is of the utmost importance. It's how we ensure that we have the right garments in the right sizes and colors in every store, so that customers have the complete outfits and assortments they want. This is the area where the most important improvements in customer service will occur, and we're putting a lot of money into the technologies that will help us get there. KBG

Consolidated Statements of Cash Flows

(thousands)

	1992	1991	1990
Cash Flows from Operating Activities			
Net Income	\$455,497	\$403,302	\$398,438
Impact of Other Operating Activities on Cash Flows			
Depreciation and Amortization	246,977	222,695	184,385
Change in Assets and Liabilities			
Accounts Receivable	(101,545)	(65,536)	(73,791)
Inventories	(73,657)	(144,884)	(101,832)
Accounts Payable and Accrued Expenses	118,289	8,792	38,964
Income Taxes	82,369	30,371	(38,254)
Other Assets and Liabilities	26,198	20,897	16,561
Net Cash Provided by Operating Activities	754,128	475,637	424,471
Investing Activities			
Capital Expenditures	(429,545)	(523,082)	(428,844)
Businesses Acquired	(60,043)	(18,750)	(10,987)
Other	--	--	(9,126)
Cash Used for Investing Activities	(489,588)	(541,832)	(448,957)
Financing Activities			
Net (Repayments) Proceeds of Commercial Paper Borrowings and Certificates of Deposit	(322,119)	223,312	(55,228)
Repayments of Long-Term Debt	--	(50,000)	(150,000)
Proceeds from Issuance of Unsecured Notes	150,000	--	300,000
Dividends Paid	(101,730)	(101,141)	(86,414)
Stock Options and Other	16,809	14,579	7,574
Net Cash (Used) Provided by Financing Activities	(257,040)	86,750	15,932
Net Increase (Decrease) in Cash and Equivalents	7,500	20,555	(8,554)
Cash and Equivalents, Beginning of Year	33,735	13,180	21,734
Cash and Equivalents, End of Year	\$41,235	\$33,735	\$13,180

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

Notes To Consolidated Financial Statements

(thousands except per share amounts)

1 Summary of Significant Accounting Policies

Principles of Consolidation

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

Investments in other entities (including joint ventures) which are more than 20 percent owned are accounted for on the equity method.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal year 1992, 1991 and 1990 represent the 52-week periods ended January 30, 1993, February 1, 1992 and February 2, 1991.

Cash and Equivalents

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

Inventories

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

Property and Equipment

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10-30 years for buildings and improvements and 3-10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which extend service lives are capitalized.

Goodwill Amortization

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

Interest Rate Swap Agreements

The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement.

Provision for Income Taxes

The provision for income taxes is based on pre-tax income as reported for financial statement purposes, and includes a deferred provision for the tax effect of timing differences between the financial and tax reporting of certain revenue and expense items. Deferred Federal income taxes, net of applicable foreign tax credits, are provided on the undistributed earnings of foreign subsidiaries.

In February 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes," which superseded SFAS No. 96, "Accounting for Income Taxes." SFAS No. 109 requires the Company to adopt a new approach to accounting for deferred income taxes for fiscal year 1993. A more detailed discussion of this matter is included under the heading "Adoption of Accounting Standards" in Management's Discussion and Analysis on page 73 of this Annual Report.

5 Long-Term Debt

Long-term debt consisted of:

	1992	1991
Commercial Paper	\$29,439	\$363,758
Certificates of Deposit	12,200	--
7.80% Notes due May, 2002	150,000	--
9 1/8% Notes due February, 2001	150,000	150,000
8 7/8% Notes due August, 1999	100,000	100,000
8.61% Notes due December, 1993	100,000	100,000
	\$541,639	\$713,758

Effective December 4, 1992 (the "Effective Date"), the Company amended its \$900 million revolving credit agreement by entering into two revolving credit agreements (the "Agreements") totaling \$840 million. One Agreement provides the Company available borrowings of up to \$560 million. The other Agreement provides World Financial Network National Bank, a wholly-owned consolidated subsidiary, available borrowings of up to \$280 million. Borrowings outstanding under the Agreements are due December 4, 1997. However, the revolving terms of each of the Agreements may be extended an additional two years upon notification by the Company on the second and fourth anniversaries of the Effective Date, subject to the approval of the lending banks. Both Agreements have similar borrowing options, including interest rates which are based on either the lenders' "Base Rate", as defined, LIBOR, CD based options or at a rate submitted under a bidding process. Aggregate commitment and facility fees for the Agreements approximate 0.15% of the total commitment. Both Agreements and certain of the Company's other debt agreements place restrictions on the amount of the Company's working capital, debt and net worth.

Both Agreements support the Company's commercial paper program which funds working capital and other general corporate requirements. No amounts were outstanding under the Agreements at January 30, 1993. Commercial paper will be classified as long-term so long as the remaining term of the Agreements exceeds one year and any unused commitments thereunder equal or exceed the amount of commercial paper outstanding. The commercial paper outstanding at January 30, 1993 bears interest at an average rate of 3.11%.

World Financial Network National Bank's certificates of deposit outstanding at January 30, 1993 bear interest at an average rate of 3.65% and have maturities ranging from February to July, 1993.

Effective May 27, 1992, the Company issued \$150 million of 7.80% Notes due May 15, 2002, the proceeds of which were used to replace commercial paper borrowings. In February 1993, the Company amended its shelf registration statement enabling it to issue up to \$500 million of debt securities and warrants to purchase debt securities. Following the March 15, 1993 issuance of \$250 million of 7 1/2% Debentures due 2023, the Company had \$250 million remaining under its shelf registration statement authorization.

The 8.61% Notes due December, 1993 and the certificates of deposit have been classified as long-term debt in accordance with the Company's intention and ability to refinance such obligations on a long-term basis as evidenced by the issuance of the 7 1/2% Debentures.

All long-term debt outstanding at January 30, 1993 and February 1, 1992 is unsecured.

The Company periodically enters into interest rate swap agreements with the intent to manage the interest rate exposure of the debt portfolio. At January 30, 1993, the Company had two interest rate swap agreements outstanding, each having a \$100 million notional principal amount. One agreement effectively changed the Company's interest rate exposure on \$100 million of variable rate debt to a fixed rate of 8.09% through July, 2000. The counterparty to the swap agreement has an option to cancel the remaining term of the agreement in July, 1995. The second agreement effectively changes the interest rate on \$100 million of fixed rate debt to a variable rate through December, 1993.

\$141.6 million of instruments classified as long-term debt mature in 1993. No long-term debt matures in years 1994-1997.

Interest paid approximated \$60.0 million, \$58.2 million and \$59.6 million in 1992, 1991 and 1990.

6 Income Taxes

The provision for income taxes consisted of:

	1992	1991	1990
Currently Payable:			
Federal	\$174,900	\$173,700	\$208,700
State	28,700	27,000	31,900
Foreign	6,400	4,500	7,600
	210,000	205,200	248,200
Deferred:			
Federal	62,700	41,800	(1,300)
State	17,300	10,000	8,100
	80,000	51,800	6,800
Total Provision	\$290,000	\$257,000	\$255,000

The foreign component of pre-tax income, arising principally from overseas sourcing operations, was \$58.7 million, \$44.5 million and \$72.9 million in 1992, 1991 and 1990.

A reconciliation between the statutory Federal income tax rate and the effective income tax rate follows:

	1992	1991	1990
Federal income tax rate	34.0%	34.0%	34.0%
State income tax, net of Federal income tax effect	4.0	3.7	4.0
Other items, net	0.9	1.2	1.0
	38.9%	38.9%	39.0%

The components of the deferred tax provision follow:

	1992	1991	1990
Excess of tax over book depreciation	\$45,400	\$17,200	\$4,900
Deferred profit on receivables	--	--	(24,200)
Other items, net	34,600	34,600	26,100
	\$80,000	\$51,800	\$6,800

The Tax Reform Act of 1986 eliminated the use of the installment method for recognizing income on sales from the Company's credit card operations and requires that deferred income on sales at January 31, 1987 be included in taxable income over a four-year period beginning in 1987. At January 30, 1993, all income taxes relating to installment sales have been paid.

Income tax payments approximated \$199.8 million, \$212.4 million and \$253.8 million for 1992, 1991 and 1990.

7 Stock Options

Stock options are granted to officers and key employees based upon fair market value at the date of grant. Option activity for 1990, 1991 and 1992 follows:

	Number of Shares	Weighted Average Option Price Per Share
Outstanding Options, February 3, 1990	4,968,000	\$10.52
Activity during 1990:		
Granted	2,083,000	20.03
Exercised	(927,000)	6.81
Cancelled	(328,000)	15.26
Outstanding Options, February 2, 1991	5,796,000	\$14.26
Activity during 1991:		
Granted	707,000	26.56
Exercised	(1,187,000)	10.12
Cancelled	(194,000)	18.05
Outstanding Options, February 1, 1992	5,122,000	\$16.49
Activity during 1992:		
Granted	1,476,000	23.91
Exercised	(772,000)	12.73
Cancelled	(312,000)	22.99
Outstanding Options, January 30, 1993	5,514,000	\$18.57

The Company had approximately 7.4 million shares available for grant at January 30, 1993 as compared to 8.5 million shares available at February 1, 1992 and 9.0 million shares available at February 2, 1991. Approximately 5.5 million shares of the Company's common stock were reserved for outstanding options, of which 2.7 million were exercisable as of January 30, 1993.

8 Retirement Benefits

The Company sponsors a defined contribution retirement plan. Participation in this plan is available to substantially all associates who have completed 1,000 or more hours of service with the Company during certain 12 month periods and attained the age of 21. Company contributions to this plan are based on a percentage of the associates' annual compensation. The cost of this plan was \$20.1 million in 1992, \$16.3 million in 1991 and \$14.6 million in 1990.

9 Finance Subsidiary

World Financial Network National Bank, a wholly-owned consolidated finance subsidiary, purchases without recourse, certain receivables generated by the Company's credit card operations. Condensed financial information of the finance subsidiary follows:

	January 30, 1993	February 1, 1992
Assets		
Credit card receivables, net of allowance for uncollectable accounts	\$731,000	\$638,000
Other assets, net	20,500	15,000
	\$751,500	\$653,000
Liabilities and Investment		
Payable to wholly-owned subsidiaries and affiliates of The Limited, Inc.	\$18,600	\$41,600
Investment of The Limited, Inc.:		
Subordinated debt and Certificates of Deposit	665,200	570,700
Equity investment	67,700	40,700
	\$751,500	\$653,000

Holdings of credit cards issued by the finance subsidiary are located throughout the United States, and have various available lines of credit which are subject to change by the finance subsidiary, and which are used to purchase merchandise offered for sale by affiliates.

10 Disclosures about Fair Value of Financial Instruments

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

Cash and equivalents

The carrying amount of cash and equivalents approximates fair value because of the short maturity of cash equivalents.

Credit card receivables

The carrying amount of the credit card receivables approximates fair value due to the short maturity and because the average interest rate approximates current market origination rates.

Long-term debt

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

Interest rate swap agreements

The fair value of interest rate swaps (used for hedging purposes) is the estimated amount that the Company would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit-worthiness of the swap counterparties.

The estimated fair values of the Company's financial instruments are as follows:

	1992		1991	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$(541,639)	\$(584,472)	\$(713,758)	\$(734,383)
Net interest rate swaps	\$374	\$(5,334)	\$196	\$(249)

11 Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 1992 and 1991 follow:

1992 Quarter	First	Second	Third	Fourth
Net Sales	\$1,415,625	\$1,489,393	\$1,611,320	\$2,427,958
Gross Income	357,938	410,932	440,421	781,449
Net Income	51,525	80,073	79,995	243,904
Net Income Per Share	\$.14	\$.22	\$.22	\$.67

1991 Quarter	First	Second	Third	Fourth
Net Sales	\$1,284,482	\$1,375,185	\$1,433,412	\$2,056,139
Gross Income	342,649	389,523	399,882	661,489
Net Income	50,860	79,225	72,872	200,345
Net Income Per Share	\$.14	\$.22	\$.20	\$.55

Market Price and Dividend Information

	Market Price		Cash Dividend Per Share
	High	Low	
Fiscal Year 1992			
4th Quarter	\$29 5/8	\$22 7/8	\$.07
3rd Quarter	25 1/2	19 3/4	.07
2nd Quarter	24 5/8	19 1/4	.07
1st Quarter	32 7/8	22	.07
Fiscal Year 1991			
4th Quarter	\$30 7/8	\$23 3/8	\$.07
3rd Quarter	31 5/8	21 3/4	.07
2nd Quarter	31	26 1/2	.07
1st Quarter	29 7/8	22 1/4	.07

The Company's common stock is traded on the New York Stock Exchange ("LTD"), the London Stock Exchange and the Tokyo Stock Exchange. On January 30, 1993, there were 52,104 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company sponsored retirement plans and others holding shares in broker accounts under street name, the Company estimates the shareholder base at approximately 118,000.

Dividends Per Share

82	\$0.01
83	\$0.02
84	\$0.04
85	\$0.05
86	\$0.08
87	\$0.12
88	\$0.12
89	\$0.16
90	\$0.24
91	\$0.28
92	\$0.28

Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets of The Limited, Inc. and subsidiaries as of January 30, 1993 and February 1, 1992, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three fiscal years in the period ended January 30, 1993 (appearing on pages 74 through 85). 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and subsidiaries as of January 30, 1993 and February 1, 1992 and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 30, 1993 in conformity with generally accepted accounting principles.

Coopers & Lybrand

Columbus, Ohio

February 15, 1993, except for Note 5 as to which the date is March 15, 1993

Directors

Leslie H. Wexner (*) (***) Chairman **Kenneth B. Gilman** Executive Vice President and Chief Financial Officer

Bella Wexner Secretary **Martin Trust** President; Mast Industries, Inc., Andover, Massachusetts **E. Gordon Gee** (*):

President; The Ohio State University, Columbus, Ohio **Thomas G. Hopkins** Retired Vice Chairman of the Board, Vero Beach,

Florida **David T. Kollat** Chairman; 22 inc., a management consulting and marketing research firm, Worthington, Ohio

Claudine B. Malone (**): Financial & Management Consulting Inc., McLean, Virginia **John K. Pfahl** (**): President:

John K. Pfahl, Inc., a management consulting firm, Columbus, Ohio **Donald B. Shackelford** (*) (**): Chairman of the Board:

State Savings Bank, Columbus, Ohio **Allan R. Tessler** (**): (***) Chairman and Chief Executive Officer: International

Financial Group, Inc., New York, New York **Raymond Zimmerman** Chairman of the Board and President: Service Merchandise

Co., Inc., Brentwood, Tennessee

(*) Member of Executive Compensation and Stock Option Committee

(**) Member of Audit Committee

(***) Member of Nominating Committee

Executive Officers

Leslie H. Wexner Chairman **Kenneth B. Gilman** Executive Vice President and Chief Financial Officer

Arnold F. Kanarick Executive Vice President and Director of Human Resources **Bella Wexner** Secretary

Wade H. Buff Vice President Internal Audit **Alfred S. Dietzel** Vice President Financial and Public Relations

Samuel Fried Vice President and General Counsel **William K. Gerber** Vice President and Corporate Controller

Timothy B. Lyons Vice President Taxes **Margaret T. Monaco** Vice President and Treasurer

Bruce A. Soll Vice President

Corporate Information

Corporate Offices

Two Limited Parkway
PO Box 16000
Columbus, Ohio
43216
614-479-7000

Annual Meetings

The Annual Meeting of Shareholders
is scheduled for 9:00 AM
Monday, May 17, 1993
at the Greater Columbus Convention Center
400 North High Street
Columbus, Ohio 43215

Date Founded 1963

Number of Associates 100,700
Approximate Shareholder
Base 118,000

Overseas Offices

London, England
Paris, France
Kowloon, Hong Kong
Tel Aviv, Israel
Florence, Italy
Milan, Italy
Seoul, Korea
Taipei, Taiwan

10-K Report

A copy of Form 10-K is available
without charge upon written request to
Alfred S. Dietzel, Vice President
The Limited, Inc.
PO Box 16000
Columbus, Ohio 43216

Stock Transfer Agent, Registrar and Dividend Agent

First Chicago Trust Company
of New York
30 West Broadway
New York, New York 10007
212-587-6515

Stock Exchange Listings

New York Stock Exchange
(Trading Symbol "LTD")
London Stock Exchange
Tokyo Stock Exchange

Independent Public Accountants

Coopers & Lybrand
Columbus, Ohio

the process continues



Dear Partners: Now that you've read
The Limited, Inc.'s
new 1992 annual

report, I want to personally thank you for your career
commitment and investment in our company.

Our annual report contains information that will help
you understand the company's performance, and I hope you
read it closely. But taken alone it is not the whole
story.

As you know, much of the strength and excitement
of our businesses happens live, every day, in our stores
and through our catalogues. No written report can take
the place of seeing and experiencing fashion retailing
first-hand: the fabrics and styles of our merchandise;
the enthusiasm of our sales associates; the design and
decoration of our stores; and the positive reaction of
our customers.

I feel very strongly that you should have the oppor-
tunity to see what your partners at the other Limited,
Inc. businesses are doing. The best way to see the stores
is to shop them.

I've attached a special thank you in the form of
savings coupons good for each of our businesses, both
retail stores and catalogues. Use the offer to enjoy the
merchandise at a business you or a friend may not have
visited recently, or to order from one of our catalogues,
perhaps for the first time.

It's a great way to celebrate the kick-off of our
Spring Season, and to learn more about how your company
works.

Thank you.

Leslie H. Wexner, Chairman



Express

Save 15% Bring this coupon to any participating Express store anytime between now and June 7, 1993 and receive a 15% discount on everything you purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.

Authorization # 78.

The Limited

Save 15% Bring this coupon to any participating Limited store anytime between now and June 7, 1993 and receive a 15% discount on everything you purchase, including sale and promotionally priced merchandise.

Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.

Lerner New York

Save 15% Bring this coupon into any Lerner New York store now through June 7, 1993 to receive your 15% discount on any purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount may be used with any one purchase. This coupon is not redeemable for cash, nor is it valid toward any previously purchased merchandise. Ring Code 5115.

Lane Bryant

Save 15% Bring this coupon to any participating Lane Bryant store anytime between now and June 7, 1993 and receive a 15% discount on your purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise or red-line items. It may be used only once. Authorization # LB 20.

Victoria's Secret Stores

Save 15% Bring this coupon to any participating Victoria's Secret store anytime between now and June 7, 1993 and receive a 15% discount on everything you purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.

Coupon Type Number 3.

Structure

Save 15% Bring this coupon to any participating Structure store anytime between now and June 7, 1993 and receive a 15% discount on everything you purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount of any type may be used. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.

Authorization # 26.

The Limited Too

Save 15% Bring this coupon to any participating Limited Too store anytime between now and June 7, 1993 and receive a 15% discount on everything you purchase.

Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.

Authorization # IT 22.

Abercrombie & Fitch Co.

Save 15% Bring this coupon to any participating Abercrombie & Fitch store anytime between now and June 7, 1993 and receive a 15% discount on everything you purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount of any type may be used. This coupon is not redeemable for cash, nor is it valid on any previously purchased merchandise. It may be used only once.

Henri Bendel

Save 15% Bring this coupon to any participating Henri Bendel store anytime between now and June 7, 1993 and receive a 15% discount on everything you purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount of any type may be used. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.

Authorization # 111111.

Bath & Body Works

Save 15% Bring this coupon to any participating Bath & Body Works store anytime between now and June 7, 1993 and receive a 15% discount on your purchase.

Sale and promotionally priced merchandise are included, but ready-made gift sets are not. Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once. Authorization # 80.

Cacique

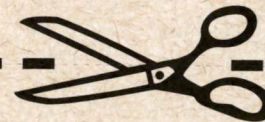
Save 15% Bring this coupon to any Cacique store between now and June 7, 1993 and receive a 15% discount on your entire purchase.

Sale and promotionally priced merchandise are included. Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.

Penhaligon's

Save 15% Send for a free Penhaligon's Catalogue by calling 011-44-81-880-2050 or by writing to: P.O. Box 2888, London, N4 1NH, England. Please enclose this coupon with your order or quote Authorization # 77 if ordering by telephone. Your order will be mailed to you free of charge.

This offer is valid anytime between now and June 7, 1993. Only one coupon or discount of any type may be used per purchase. This offer is not redeemable for cash, nor is it valid toward any previously purchased merchandise. It may be used only once.



Victoria's Secret Catalogue

Save \$15 Redeem this coupon by June 7, 1993 to receive an additional \$15 savings on any \$75 purchase from V.S. Catalogue. Any discount coupons printed in the Catalogue also apply. To place an order or to receive a Free Catalogue, call 1-800-388-1500, and mention Authorization # 38755. When ordering by mail, attach this coupon to your order form. This offer may be applied toward one V.S. Catalogue purchase only, and is not redeemable for cash or towards previous orders.

Lane Bryant Catalog

Save 15% on Women's, Misses' and Half sizes 14 to 54. CALL FREE 1-800-477-7070 to order or to ask for Operator #10 to request your FREE Catalog. Valid through August 1, 1993.

When ordering by phone, use the coupon number. By mail, figure your Merchandise Total less 15% and enter that amount on your Order Form as Merchandise Total. Enclose coupon with your order. 15% savings valid on Lane Bryant Catalog orders only. Non negotiable. Not applicable to payment of prior bills or charges. One coupon per customer. Coupon # 51-RL-0041-7.

Roaman's Catalog

Save 15% on women's, misses' and half sizes 14 to 54. CALL FREE 1-800-274-7130 to order or to ask for operator #75 to request a FREE Catalog. Valid through August 1, 1993.

When ordering by phone, use the coupon number. By mail, figure your Merchandise Total less 15% and enter the amount on your Order Form as Merchandise Total. Enclose coupon with your order. Coupon valid only on Roaman's merchandise purchases. Non negotiable. Not applicable to payment of prior bills or charges. One coupon per customer. Coupon # 551-AR-0140-7.

Lerner New York Catalog

Save 15% on Lerner New York Catalog purchases. CALL FREE 1-800-288-4009 to request your FREE Catalog or to order. Valid through August 1, 1993.

When ordering by phone, use the coupon number. By mail, figure your Merchandise Total less 15% and enter that amount on your Order Form as Merchandise Total. Enclose coupon with your order. 15% savings valid on Lerner New York Catalog orders only. Non negotiable. Not applicable to payment of prior bills or charges. One coupon per customer. Coupon # 851-RQ-0083-9.

Questioning **Thinking** Acting

The Limited, Inc.
Two Limited Parkway
P.O. Box 16000
Columbus, Ohio 43216

RFM

New customer full MAST includes fines (the limited)

Printed by RUSS GULLOTTI @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 067817
Date: 27-Jan-1994 01:50pm EST
From: SANDRA FERLINZ
FERLINZ.SANDY AT A1 at NEMAIL
Dept: SUBURBAN BOSTON ACCOUNTS GROUP
Tel No: 274-6545

TO: russ gullotti @mko

CC: mike quick @mko

Subject: Backgrounder on Mast Industries for Friday Call - URGENT

Russ,

Below is more detailed information on Mast Industries and the opportunity. I am also Fed Exp. their annual report and some other info I have on The Limited and the business they have done with Digital over the years.

We will meet you at the Lawrence Airport at 1:30 for a 2:00-3:00 meeting at Mast Industries. We will meet with Ed Somol - CIO, Kevin Moore - VP of IS, one of his staff people, and perhaps Peter Gartman - CFO (his schedule permitting).

The customer: MAST Industries is the buying/sourcing arm for all of the clothing sold in The Limited's subsidiaries (i.e. Victoria Secret Stores, Victoria Secret Catalogue, The Limited, Express, Lane Bryant, etc., etc.) As part of The Limited (\$7B in sales), Mast has offices in: Andover, New York, London, Paris, Milan, Tel Aviv, Hong Kong, Singapore, Seoul, Sri Lanka, Indonesia, Tokyo, Singapore and Taiwan. Their HQ location is Andover, MA and their Pacific Rim HQ is in Hong Kong. These are the only two locations in which they have MIS support.

They currently run an Amdahl mainframe system in Andover with (660) 3270 terminals attached throughout the world. They use the terminals in remote locations predominantly for electronic mail to correspond across geographic/time zone boundaries. They are looking to upgrade those terminals to PC's and put local area networks in place instead of just pure SNA terminal traffic.

Our opportunity is to sell: \$1.5M in FY94

Total Program and Project Management - to insure a successful roll-out of 330 PC's/LAN/WAN, etc. in a very short timeframe. We have proposed a worldwide Program Manager in Andover (oversee the program and lead

project in the States) and two project managers (one in Hong Kong and one in Milan, Italy) to be responsible for continental implementations without hindrance of time/language/cultural barriers.

Network Design Services - a full design for Mast taking into account all 15 of their worldwide locations. This piece will start very soon as it is the first step in choosing specific products (NIC cards, circuits, routers, etc.) *who? / pcs?*

Cable Plant - We will do walkthroughs and be responsible for the wiring/cable design/upgrades that are required at each location. *pcs*

PC's - Digital PC's have been proposed. 425sx systems with 8MB mem and some 433dx systems with 12MB of memory. *why? Sully!*

Network Components - Third party hubs, routers, etc.

Full staging/integration and testing services - provided through our local MCS organization and performed in the Salem, NH facility. This service includes the integration of NIC cards and the configuration of Microsoft Office and 3270 software. In addition, we will be responsible for staging/testing the Microsoft NT/SNA Advanced Server PC Servers and the network components so that they can be installed turn-key at all of the remote locations. *fee? / VCR / TOO?*

Installation - Digital Customer Services will be responsible for the installation and start-up of the staged systems, network components and servers.

Maintenance - Digital Customer Services will be responsible for the on-going maintenance of all above mentioned components around the globe. This includes phone support and on-site maintenance.

Training - Digital Learning Services has delivered a proposal for the worldwide training of Microsoft Office products and PC technology in general for MAST's end-users around the world.

They may also be interested in exploring network management services and help desk support as their MIS staff is very small and will not be growing as a result of this project. As you can see, it is essential that they engage the services of a vendor with a strong international presence who can minimize their risk and hit the deadline of June '94.

****We can expect the other half of the project (replacement of the other 330 terminals they have) should we win this piece, within the next 12-18 months.**

The current roll-out for FY '94 looks like:

Andover, MA	110 units
New York	20 units

Hong Kong	135 units
Taiwan	23 units
Seoul, Korea	32 units
Milan, Italy	6 units

Decision Makers at Mast Industries:

Kevin Moore - VP of IS (Headquarters) & Team - Have recommended Digital to executive committee from a field of 8 initial vendors. Kevin is very straightforward and feels the success of this project means his job. We have been able to convince him that we can do a better job (read "less risk") rolling out this project than any other vendor. Kevin's team has also become very comfortable with Digital (e.g. we were able to pull two of his technical people into an "internal only" Microsoft NT training class that was essential for them to move forward.)

Ed Somol - CIO - Has no experience with Digital at all. Has very strong executive relationship with AT&T and sits on their Fortune 20 customer panel. He had hoped that his ties with AT&T would help give them leverage with NCR. Also, many of The Limited's divisions have moved from IBM to NCR for Point of Sale equipment. Ed has since been disappointed with NCR's performance/response. After a very successful meeting that we orchestrated with Digital last week when Ed was visiting the Mast office in Hong Kong, he is now ranking us as the #1 contender for this business. In that meeting, Ed met with Tony Tong (Digital Vice President of MCS - Asia). Likes to play golf.

Albert Ip - VP of IS (Hong Kong) - Had negative feelings about Digital based on word of mouth in Hong Kong, wanted HP. Again, after a very successful meeting last week with Tony Tong and his PCI staff, Albert is now also ranking Digital as the #1 contender for this business.

The Competition: The competition is NCR. Their pricing reflects a willingness to buy the business - (i.e. 26% off list price on PC's!). They have agreed to fly their President in to meet with Mast next week. Ed is trying to test whether or not his muscle with AT&T will buy him any clout with NCR. At this point, I think that NCR's price is lower than ours on PC's and some components, but they don't have the breadth of resources that we can offer. I have planted FUD that AT&T and NCR aren't synonymous. We have also expressed doubt that NCR can do all of the necessary pieces of this proposal without outsourcing some of the services (staging/integration, maintenance in all remote locations).

We need to be prepared to address:

- * Digital's financial status and viability. They read The Globe...help me make them feel comfortable with our strategic plans for longevity and profitability.

- * Our commitment to the success of this project from an extremely high level executive. They are very nervous about this project. They only know mainframes and are fairly PC/LAN illiterate. They need to feel that Digital has the capabilities to "own" the project. They make ask about written guarantees for their success.
- * Our commitment to building a long-term partnership with Mast as they grow internationally. Mast has just undergone a major re-engineering effort and has changed their organization considerably. They are changing their business practices and are trying to move to strategic partnerships with vendors, instead of the nickel dime approach they have traditionally used. There is considerable potential follow-on business at Mast (downsize the mainframe as their sister division did with Digital, standardized EDI across the divisions, the rest of the PC LAN roll-out, etc.)
- * Why/how Digital is so successful in rolling out large SI projects. They were so impressed with the Digital folks in Hong Kong, they may want to know why we wouldn't want to manage the project from there. Our approach to that is to take advantage of both our local and international strengths by putting a global program manager here where their senior management is and also to have resident project managers in Hong Kong and Europe. Also, we may want to talk about our executives proximity to them in Acton, Maynard, Merrimack and Stow.
- * They have been clear that they don't want to deal with our resellers. We need to commit to them that they will have a direct relationship with Digital (even in the Far East) if that's what they want.

The goal for the meeting: To get to the point where Ed Somol feels he has Digital senior management's total commitment to Mast and to this project. I expect to trial close and ask for the order if all goes well.

Tidbits:

- * Mast has called Coopers & Lybrand in to help them quantify the payback/ROI of implementing PC LAN's. They are meeting with them tomorrow right after our meeting at 3:00.
- * Their fiscal year begins February 1st. They expect to have hear Coopers' final presentation around 2/8 and have Martin Trust (President of Mast) sign off on the project around the same time. They have to go through formal appropriation then to Limited Corporate. They are telling me we should have all negotiations finished and the entire order signed no later than 3/1.
- * I gave them Quotron (division of Citibank) as a Digital reference. Not sure if they've called them yet. Quotron is worldwide PC implementation (950 seats) that allows real-time trading around the world with 2 second response. We integrated IBM PC's, staged,

why not?
why not?
not necessarily.

installed, maintained, help desk, network management, etc.

I will be in the office tomorrow a.m. if you'd like to have a conversation about any of this material.

Thanks again for your efforts. Pray for sunshine!

Regards,
Sandy Ferlinz

ANDREA
Is there any chance that
Russ might be in?

H-0359

- Briefing package is on its way -

Printed by MICHAEL QUICK @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 012624
Date: 25-Jan-1994 12:19pm EST
From: SANDRA FERLINZ
FERLINZ.SANDY AT A1 at NEMAIL
Dept: SUBURBAN BOSTON ACCOUNTS GROUP
Tel No: ~~274~~-6545

617-273-6545 / 6584
return for meetings

at NQO

TO: scott rimmer @rch

CC: mike quick @mko

Subject: Need Executive Visit at Mast Industries

Scott,

Per my conversation with Debbie, below is the info on the meeting needed at Mast Industries. As a follow-on, I will provide more detail. I just wanted the request to get off to the right people ASAP and so I'll keep this short.

The opportunity: \$1.5M of PC's, PC integration, customer training, program/project management, network design, network components, wiring, installation, on-going maintenance, etc. TO BE ROLLED OUT WITHIN THIS FISCAL YEAR. These PC's will replace existing 3270 terminals around the world, connected via a WAN to a mainframe here in Andover. The \$1.5M represents the first half of this project (replace approx. 330 terminals). We can expect the other half of the project (the other 330 terminals they have) should we win this piece, within the next 12-18 months.

The current roll-out looks like:

Andover, MA	110 units
New York	20 units
Hong Kong	135 units
Taiwan	23 units
Seoul, Korea	32 units
Milan, Italy	6 units

The customer: The customer is Mast Industries (division of The Limited). They are the buying/sourcing arm for all of The Limited's divisions.

The Competition: The competition is NCR. Their pricing reflects a willingness to buy the business. They have agreed to fly their President in to meet with Mast next week. Mast has a very close

relationship with AT&T and as such they are strongly considering NCR. However, both NCR and Digital were asked to meet with Mast in Hong Kong last week and we came out on top. I set up a meeting there with our VP of MCS for Asia (Tony Tong @HGO) which went incredibly well. Mast was disappointed with NCR's showing at the Hong Kong meeting. At this point Mast's local team has recommended Digital based our proposal/efforts here. Their CIO (Ed Somol) and VP MIS in Hong Kong, after last week's meeting, are now also ranking Digital as "number 1."

What's Needed: I need an executive visit with Mast's CIO (Ed Somol) and VP of IS (Kevin Moore) to solidify the partnership, and address some issues that they have. There may be other members of their executive team present as well (Marty Trust - President, etc.)

I need to counter NCR's offer to meet with their President with a similarly ranked executive from Digital.

To address:

- * Digital's financial status and viability.
- * Our commitment to the success of this project from an extremely high level executive.
- * Our commitment to building a long-term partnership with Mast as they grow internationally.
- * Why/how Digital is so successful in rolling out large SI projects.

When: They have requested Friday of this week or some time next week. Unfortunately, many of us are planning on being in Houston. I would be thrilled to have the meeting for an hour or so on Friday of this week if we can pull the right people together quickly.

Who: The customer's advice to me was to start with Bob Palmer and work through the organization. Our initial thought here in Burlington was to see if Russ Gullotti was available given the proximity of Andover and in light of his new title as President of the Americas.

I believe that this deal is ours to lose, but am afraid of the power of the messages that NCR's President could deliver unless we match the offer. Please let me know as soon as possible how to proceed.

Thanks in advance for your help,
Sandy

Some background from a while
back on The Limited - Digital

I. THE COMPANY

The Limited is one of the largest specialty retail operations in the United States. In 1963, Leslie H. Wexner, Founder, opened a single store specializing in medium-priced apparel for contemporary women. Today the Limited has emerged as one of the performance leaders of the apparel retailing industry with revenues of over \$7 billion achieved through twelve highly independent operating companies with approximately 4,700 selling locations and one catalog operation.

Today, The Limited, Inc., consists of the following retail operations:

POWER BUSINESSES:	FEBRUARY 1, 1992	FEBRUARY 2, 1991
LIMITED STORES	772	759
EXPRESS	690	640
VICTORIA'S STORES	595	545
LERNER	925	915
LANE BRYANT	824	809
NEW BUSINESSES:		
ABERCROMBIE & FITCH	55	40
HENRI BENDEL	4	4
STRUCTURE	240	152
LIMITED TOO	185	185
PENHALIGON'S	6	6
CACIQUE	111	71
BATH & BODY WORKS	201	121
CATALOGUES:		
VICTORIA'S SECRET CATALOGUE		

3.2
4
12.8

*LANE BRYANT DIRECT

*ROAMAN'S

*LERNER DIRECT

*The Limited has announced plans to sell a 60% stake in these three catalog operations by the end of calendar year 1993.

TOTAL NUMBER OF STORES	4,773	4,425
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In addition to the retail operations, The Limited, Inc. also maintains the following support divisions:

LIMITED REAL ESTATE

Position retail operations in key markets.

LIMITED STORE PLANNING

Provide space, design, and merchandising for all retail divisions.

LIMITED CREDIT SERVICES

Provide space design and merchandising for the retail and mail order sales.

LIMITED DISTRIBUTION SERVICES

The shipping, distribution and logistics engineering arm of The Limited, Inc.

MAST INDUSTRIES

Contract manufacturer with and international network of production facilities dealing with more than 200 factories in 30 countries. Supplies The Limited divisions with competitively priced apparel for their fashion-conscious customers.

The financial highlights for The Limited, Inc. are as follows:

	1992	1991	% Increase
Net Sales	\$6,944,296	6,149,218	13.0%
Income Before Taxes	745,497	660,302	13.0%

Net Income	455,497	403,302	13.0%
Earnings per Share	\$1.25	\$1.11	13.0%

EXECUTIVE OFFICERS

CHAIRMAN
 VICE CHAIRMAN
 EXECUTIVE VICE PRESIDENT &
 CHIEF FINANCIAL OFFICER
 SECRETARY
 VICE PRESIDENT, INTERNAL AUDIT
 V.P. FINANCIAL AND PUBLIC RELATIONS
 V.P. CORPORATE CONTROLLER
 V.P. TAXES
 V.P. TREASURER

LESLIE WEXNER
 THOMAS G. HOPKINS

 KEN GILMAN
 BELLA WEXNER
 WADE BUFF
 ALFRED S. DIETZEL
 WILLIAM GERBER
 TIMOTHY B. LYONS
 MARGARET T. MONACO

DIVISION PRESIDENTS

LIMITED STORES
 LERNER
 LANE BRYANT
 EXPRESS
 VICTORIA'S SECRET STORES
 VS CATALOGUE
 BRYLANE
 ABERCROMBIE & FITCH
 HENRI BENDEL
 LIMITED DISTRIBUTION SERVICES
 MAST INDUSTRIES

HOWARD GROSS
 ROBERT GRAYSON
 CHERYL NIDO TURPIN
 MICHAEL A. WEISS
 GRACE NICHOLS
 CYNTHIA FEDUS
 PETER J. CANZONE
 SALLY FRAME KASAKS
 SUSAN FALK
 C. LEE JOHNSON
 MARVIN TRUST

II. KEY BUSINESS CHALLENGE

The Limited's key business challenge is to accomplish the following by the mid-1990s:

- * \$10 billion in sales
- * 10% in after-tax profits
- * Reinvention and redefinition
- * Financial stability

The above can be more specifically defined as follows:

\$10 billion annual sales/10% in after-tax profits.

The Limited, Inc. sees the following potential annual revenue out of its retail operations:

Limited Stores	\$ 3 billion
Express	1 billion
Victoria's Secret	2 billion
Lane Bryant	2 billion
Lerner	1 billion
Henri Bendel/Abercrombie Fitch	1 billion
TOTAL	\$10 BILLION

REINVENTION AND REDEFINITION

The Limited's philosophy is that for the past 20 years, anchor stores have been the prime destination stores for shoppers in malls. Shoppers would start at the anchor stores and then snake dance their way from specialty store to specialty store.

Then in the mid-1980s, The Limited noticed that the customers were no longer weaving their way through the malls but instead going directly to their specialty stores first. In effect, customers were redefining The Limited's specialty stores as the prime destination store.

Due to this trend, The Limited began experimenting with the size of their stores. They departed from the traditional 3000 square foot format in 1987, and began testing a strategy of 6,000, 20,000, and 30,000 square foot stores in 1988.

In 1985, The Limited occupied perhaps 5% of the gross leasable space in a typical region mall. In 1990, The Limited locates all their retail businesses in a single mall and occupies up to 25% to 30% of the gross leasable space - 100,000 to 125,000 square feet.

FINANCIAL STABILITY:

The Limited believes that true financial strength is a competitive advantage. The Limited has a low debt-to-equity ratio, and over \$1.6 billion (from FY 1990 Financial Results) of equity. At the end of 1990 for the third consecutive year their receivables were greater than their long-term debt. For practical purposes, The Limited, Inc. is a \$7 billion (FY92 non-published results) retail company with no operating debt. For 1990 and 1991, major capital expenditures for distribution centers, office space, and new selling space were funded almost entirely out of operating cash flow.

III. CURRENT USE OF TECHNOLOGY

Until five years ago, The Limited had a very centralized and tightly controlled MIS environment. All divisions were 100% IBM based for all home office, distribution center, and store systems.

In 1987, Les Wexner, founder of The Limited, determined that they would become a \$10 billion retailer by becoming several billion dollar business clusters. In support of this growth strategy, each business cluster was given the ability to set their own IS directions in support of their business and growth goals.

Today's data processing environment of The Limited is as follows:

Victoria's Secret Stores

- *Migrating from AS400's to VAX/VMS
- *Have completed migration from IBM to NCR POS

Limited Distribution Services

- *Migrating from IBM 3090's and Series 1's to DECsystems/ULTRIX and ALPHA/OSF1

All other Divisions:

- * 100% IBM Environment
- * 3090's
- * AS/400's
- * PC's , PS/2s
- * IBM POS

→ Done + operational
as of 1/1/94

APPLICATIONS

- * Financial Accounting
- * Merchandise Planning
- * Merchandise Management
- * POS and In-Store Processing
- * Distribution Management

IV. USE OF TECHNOLOGY FOR TOMORROW

The Limited has experienced heavy use of consultants to assist in the design and implementation of new information technology architectures for at least two of their retail divisions, EXPRESS and VICTORIA'S SECRET STORES (VSS).

Consultants which have been chosen by The Limited to participate in this business are Price Waterhouse/Management Horizons and IBM at EXPRESS, and Anderson Consulting at VSS. Areas of new (to The Limited) technology being explored or considered include Client/server computing, Relational database tools, Artificial Intelligence, EDI and Imaging.

V. DIGITAL'S PRESENCE AND DIRECTION

A. VICTORIA'S SECRET STORES:

When The Limited moved from a highly centralized to a de-centralized management organization, and each division was given authority to make operating decisions (including style of computing) necessary to meet divisional goals, VSS purchased three AS400 systems and applications for their business needs. Applications included Island Pacific software for merchandising and distribution, and Financials from Lawson Associates.

Their (VSS) growth during this period was extremely rapid, and today they operate 550 stores in the U.S. and account for approximately \$1 Billion in annual sales. VSS (internally) estimates that they will reach \$2.0 billion and 750 stores by 1996.

In January of 1991 Victoria's Secret made a strategic choice to move all of their critical business systems for distribution, merchandise management and planning from their AS400's to VAX/VMS. The major Digital tools they are using include RDB, ACMS, DECforms, COBOL, PATHWORKS and the NAS400 suite of products. Their desktop device of choice for all personnel is a 486 based PC. Application development is being done on 486 PC's, and a VAX 4000/600, with backend processing on clustered VAX 6600's. (6610 for warehouse distribution, 6620 for VISION).

The Warehouse Management /Distribution system (software from BAKCO DATA) has been installed and in production for approximately two years. The VP of Distribution is extremely pleased with the system and with Digital's support of his

installation, and the account is listed in Digital's reference database.

In late spring of 1991 after looking closely at a Merchandise Management system sold by one of our CSO's, (MITECH Systems from Montreal, Canada) Andersen Consulting was retained to custom code the entire Merchandising Systems project, which in it's entirety is known as VISION.

Individual VISION systems include Purchase Order Management and Auto PO Reorder, Sales Audit, VAMPS (merchandise planning), Store Transfers, Piece Goods Tracking, Stock Ledger, et. al. The project had a funding level of \$15 million, and application design and development has been in process since late spring with a development timeline that extends well into 1994.

After roughly six months of heavy development effort, the VISION project fell behind schedule and over budget, and VSS management became concerned about their ability to deliver new business systems within the timeframe and budget originally planned.

Their commitment to Digital and VAX/VMS remains unchanged, but they have begun to strengthen their own IS personnel by implementing an extensive training program and by selectively filling key positions by hiring outside the company. In addition, they have eliminated Andersen Consulting's role in the VISION project, which may create additional consulting opportunities for Digital.

Current status of the VISION project is in questions. VSS again investigated MITECH as an application vendor, but the idea has been tabled due to lack of end user support for completing the implementation of their package by Spring of '94. Other options include leaving the current environment as is for the next year. The current environment includes:

AS/400 with Island Pacific Stock Ledger Module
Lawson AP and GL

OS/2 LAN with Parallan Server - Merchandise Planning (VAMPS)

VAX Systems - all other applications

VICTORIA'S SECRET STORES

PRESIDENT
EVP AND GMM
CFO
VP/CONTROLLER
V.P. MIS
DIR OF DEVELOPMENT
PROJECT DIRECTORS

DIR OF OPERATIONS
MANAGERS

V.P. DISTRIBUTION
V.P. MERCHANDISING

GRACE NICHOLS
JEANNE JACKSON
JOE DECKOP
JAMES ROBERSON
(OPEN FOR 12 MONTHS)
RICK AMARI
MIKE DOWNING - MERCHANDISING
DAVE BISHOP - FINL'S AND SHOPS
JIM HENDERSON - DISTRIBUTION
BECKY WALLACE
AL SIEGEL - TECHNICAL SERVICES
ERIC ADAMS - OPERATIONS
PAUL GABLE - PC/LAN AND TELECOM
TOM BARR - QUALITY ASSURANCE

DAVE LIVINGSTON
JIM OIEN

B. LIMITED DISTRIBUTION SERVICES:

Limited Distribution Services (LDS), is responsible for all shipping and transportation from their carton consolidation center in Columbus to THE LIMITED'S 4,700 plus stores nationwide.

Originally, LDS business systems (transportation and shipping) applications were MVS/CICS/COBOL on an IBM 3090. This 3090 was shared with other retail divisions of The Limited, and LDS applications consumed approximately 10% of the CPU. These applications represented approximately 270 modules, 300,000 lines of code.

The process control component (carton tracking, handling, etc.) runs on dual DECsystem 5500's (IBM Series 1 Replacement), and have proven to be extremely reliable during the past 3 years of 7x24 operation.

Limited Corporate Management decided that LDS should become independent from a systems standpoint, and mandated that all LDS applications be moved off the 3090 by August 1993. This would free up excess CPU cycles on the 3090 for the retail division, delaying the need to upgrade that CPU and saving significant dollars on hardware and software licenses. In addition, this would allow LDS IS personnel to concentrate 100% on their primary functions of Shipping and Transportation, and be more responsive to meeting the changing needs of the other retail divisions that they service.

To comply with corporate directives, LDS Management has

completed the migration from the 3090 to an "open systems" environment for their shipping and transportation applications. Based on the success of their DECsystem 5500 system installation and the quality of support they have received from us, they increased their commitment to Digital by purchasing ALPHA/OSF1 systems for both development and production environments. Using migration tools from VI Systems, Inc. (CICS on UNIX), the migration was complete and the application running in full production by mid August, 1993. The production system is an Alpha 4000-610/OSF, and development is Alpha 3000-500S/OSF.

PRESIDENT
DIRECTOR, IS
PROJECT MGRS.

VP DISTRIBUTION

C. LEE JOHNSON
DAVE LEIGHTON
KAREN ETZKORN
PHIL MARKGRAF
STEVE RODABAUGH

Notes to myself:

No support for color based applications
Keyboard mapping is difficult
Terminal Emulation is big overhead. May require separate processor
to handle with significant number of on-line users.
Code migrates easily, but customer needs to manually handle JCL, data
conversion (remove packed decimal, etc), and utilities (date
conversions, etc.).
Batch performance not as good as on-line.

LIMITED DISTRIBUTION SERVICES IS A SERVICE DIVISION OF THE LIMITED,
INC., A \$7 BILLION RETAIL OPERATION HEADQUARTERED IN COLUMBUS OHIO.
THE LIMITED HAS SEVERAL RETAIL DIVISIONS (LIMITED STORES, LERNER, LANE
BRYANT, VICTORIA'S SECRET STORES, ABERCROMBIE & FITCH, BATH & BODY
WORKS, HENRI BENDEL, EXPRESS, STRUCTURE, CACIQUE, AND PENHALIGONS).
ALL DIVISIONS HAVE DISTRIBUTION CENTERS WHERE MERCHANDISE IS PICKED
AND PACKED INTO CARTONS. THESE CARTONS ARE FORWARDED TO LIMITED
DISTRIBUTION SERVICES (LDS) FOR CONSOLIDATION INTO FULL TRUCKLOAD LOTS
BOUND FOR MALLS WITH CONCENTRATIONS OF LIMITED STORES.

MIGRATION FROM: 3090 MVS CICS COBOL

REASON:

WERE SHARING 3090 WITH ONE OF THE LIMITED'S RETAIL
DIVISIONS. LDS WAS PAYING FOR CPU AND DASD
UTILIZATION AND WAS FIGHTING FOR OPERATIONAL
INDEPENDENCE.
ORIGINAL COST JUSTIFICATION INDICATED TOTAL
SAVINGS OF \$1 MILLION/YEAR IF MIGRATED TO
UNIX.

TYPE OF APPLICATION:

SHIPPING/TRANSPORTATION - 7X24 OPERATION - ALL
MERCHANDISE FOR \$7BILLION LIMITED INC. RETAIL
OPERATION FEEDS THROUGH LDS CENTRAL OUT
BOUND SHIPPING FACILITY. MISSION CRITICAL.

LINES OF CODE: 178K LINES PROGRAM CODE, 18K LINES SCREEN CODE
PROGRAMS: 150 - APPROX 10% BATCH, 90% ON-LINE
DB SIZE 2 GB
PROJECT LENGTH ABOUT 6 MONTHS* SEE NOTE
PEOPLE ON PROJ 5 FTE

APPROX # ONLINE USERS 20 +/-

*NOT A STRAIGHT MIGRATION. THEY WROTE A COMMON I/O MODULE IN C, AND REWROTE SOME OF THEIR UTILITY PROGRAMS (DATE CONVERSION ROUTINES, ETC) IN C. ALSO, THEY ADDED SOME FUNCTIONALITY TO THEIR EXISTING APPLICATION. OTHERWISE, IT WOULD HAVE TAKEN LESS TIME.

SYSTEMS ENVIRONMENT: ~~ALPHA 3000/500 S DEVELOPMENT SYSTEM~~
ALPHA 4000/610 PRODUCTION SYSTEM
DECSYSTEM 5000/240 DEVELOPMENT SERVER
AND LAYERED SOFTWARE HOST FOR
DEC NSR, CONSOLE MANAGER, PATHWORKS
SNA CONNECTIVITY VIA MITEK GATEWAY,
SOFT PC.
DECSYSTEM 5000/133 SYSTEM MANAGER'S DESK
DECSYSTEM 5000/25'S (8) DEVELOPERS
DECSYSTEM 5500'S (2) PROCESS CONTROL -
CONTROL CONVEYER SYSTEM - ACCEPT SCANNED
BAR CODE DATA FROM FIXED PLACE SCANNERS
FROM EACH SHOP CARTON AND DIRECT CARTON
TO PROPER SHIPPING DOCK.