

Dear Partner,

As I look back on our results for 2005, I'm not pleased. In this business, in fact in any business, we create our opportunities, and we create our problems. No excuses. Yes, external factors existed – the continuation of the war, high energy costs, hurricanes – and they impacted customers to some degree, but at the end of the day, we just didn't execute as we should have.

I believe much of it's now behind us. Today, I see encouraging signs throughout the business. We are making progress, and applying the lessons learned from the past twelve months.

Victoria's Secret's 2005 sales increased 5% and operating income increased 11%. PINK was a major driver of this growth, with almost \$500 million in sales in its first full year – quite impressive. This past Fall, we tested an expanded PINK assortment in about 40 stores with very strong results. We are adding stores to the test this Spring and will focus on further growth in this important sub-brand.



Victoria's Secret continues to be one of the most recognized brands in the world, and it leads the bra category. Bra sales achieved significant growth over last year, driven by the most successful bra launch in the brand's history – IPEX. The revolutionary technology behind this bra was awarded a U.S. patent, and it's this kind of innovation, coupled with understanding customers' needs, that continues to drive Victoria's Secret's growth.

Victoria's Secret Direct had an outstanding 2005 – sales were up 10%, and the internet channel continues to grow as a percentage of the business. The Holiday period in particular was excellent. The efforts of Sharen Turney and her team to drive sales during the last-minute Christmas rush reaped significant dividends in sales and profit, and reflected a better understanding of the Victoria's Secret gift customer.

Victoria's Secret has been successful in defining what is sexy and glamorous for women and bringing it to life with sub-brands like Body by Victoria, Very Sexy, Angels and Sexy Little Things. Powerful introductions like IPEX, Secret Embrace, PINK and Intimissimi allow for more growth, and even stronger sub-brand growth.

Even though the past year was one of change at Victoria's Secret Beauty, with a new leadership team and the consolidation of their store sales force with lingerie, we are clearly building the foundation to grow a billion dollar beauty business to a multi-billion dollar beauty powerhouse as fast as possible.

Bath & Body Works had a good year, not a great year. Still, there were some notable highlights. The launches of C.O. Bigelow, Breathe, American Girl and the Dr. Pat Wexler dermatological skincare line – probably the most popular skin care product conceived by a doctor – were all successful. Products like these are building a foundation for Bath & Body Works' transformation into a world-class body care product destination. This year we will apply more focus to all existing brands – refining the assortments, educating our customers about their benefits, promoting trial and exploring new channels of distribution, including BathandBodyWorks.com, which was successfully launched in time for the Holiday season.

As we've experienced with Victoria's Secret, the internet continues to grow as an additional shopping venue, and I believe it represents a key area of growth for Bath & Body Works. The Limited Brands Direct team was able to launch the BBW site in record time, and at a fraction of the original cost estimates. Terrific partnership with a great sense of urgency.

We also opened six new C.O. Bigelow stores this past Fall. These stores represent the best in personal care products – both from our own brands and third parties, and they give us an important additional growth format.

We upgraded our talent and capabilities in the area of home fragrance with the acquisition of Slatkin & Co. early last year. Harry Slatkin is best known in the industry for his line of superior quality candles and home fragrances, including Elton Rocks, Slatkin and C.Z. Guest. Harry first turned his attention to the successful Perfect Christmas line this Holiday, and is now improving the Henri Bendel and White Barn New York candle brands with his high-fragrance, superior-burning formulas.

In apparel, I began to see progress toward the end of 2005 as Jay Margolis' impact was being felt at Express. Our efforts to establish Express as a sexy fashion brand are working. Men and women are responding to the improved assortment, sales and traffic are increasing, margins are improved. I'm confident that Express is on the right track, building a foundation for the brand, so that results will continue to improve in 2006. Express has found their customer and now needs to get closer to them.

Our current focus is on making the apparel business – both Express and The Limited – profitable, and to position them for sustained profitable growth.

I am truly enthusiastic about 2006 and the momentum I see in our business. Our number one priority is merchant activities – staying close to the customer and anticipating their needs and wants. We are focused on supporting our merchants so that they can spend more time with our customers and provide us with real insights about them. We continue to focus on innovative product ideas, whether they come from inside or outside the organization. We have the brands, talent and capabilities to achieve significant growth.

I'd like to close by thanking all of our associates for their hard work, support and, importantly, their generosity. I'm extremely proud of the way our associates give back to their communities. There are numerous examples: \$12 million raised for United Way, gifts provided for tens of thousands of people through our Mother's Day and Holiday Giving Tree programs, thousands of volunteer hours helping young children learn to read and contributions of hundreds of thousands of dollars to help associates impacted by Hurricane Katrina.

Finally, I want to thank you, our shareholders, for your continued partnership.

Best regards,

A handwritten signature in black ink, appearing to read "Leslie Hulse". The signature is written in a cursive, flowing style.