Toward A Resilient Global Supply Chain

Enterprise Navigation in an Age of Turbulences

October 14, 2005

Nick LaHowchic
Executive Vice President, Limited Brands
President & CEO, Limited Logistics Services, Inc.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported Revenue</td>
<td>$9.4 Billion</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$1.1 Billion</td>
</tr>
<tr>
<td>Number of Stores</td>
<td>3,779</td>
</tr>
<tr>
<td>Selling Space</td>
<td>16 Million Sq.Ft.</td>
</tr>
<tr>
<td>Employees</td>
<td>115,300</td>
</tr>
<tr>
<td>Sourcing Countries</td>
<td>45</td>
</tr>
</tbody>
</table>
Limited Brands
Brand Strategic Organization

Limited Brands Today

Lingerie
- Victoria’s Secret
- Pink
- Henri Bendel
- Intimissimi

Beauty / Personal Care / Home Fragrance
- Bath & Body Works
- Victoria’s Secret Beauty
- Pink
- C.O. Bigelow
- Henri Bendel
- White Barn Candle Co.
- Slatkin & Co.
- Intimissimi

Apparel
- Express
- Limited Stores

Limited Brands
LOGISTICS SERVICES
# Themes Of Limited Brands Growth Strategy

<table>
<thead>
<tr>
<th>Strategic Theme</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Up</td>
<td><strong>Brand positioning and differentiation</strong>, which influences the customer to upgrade her lifestyle with more emotional, technical, higher quality</td>
</tr>
<tr>
<td>Anything / Anywhere / Anytime</td>
<td><strong>Making products potentially available 24/7</strong> through any of its stores, other wholesalers', retailers' or through direct channels</td>
</tr>
<tr>
<td>Multi-Source Ideation</td>
<td><strong>Expanding the idea pipeline</strong> to bring newer, fresher, and more diverse concepts from different sources</td>
</tr>
<tr>
<td>Speed in Planning and Execution</td>
<td><strong>Capture demand signals and respond faster</strong> with commercialization, production, and logistics capabilities</td>
</tr>
<tr>
<td>Mega-Branding</td>
<td><strong>Leveraging single brand image</strong> to provide the customer a more holistic experience and product set</td>
</tr>
<tr>
<td>Client / Channel Productivity</td>
<td><strong>Optimizing store, direct, product and client information</strong> to significantly improve productivity</td>
</tr>
<tr>
<td>Customer Centric</td>
<td><strong>Maintain decision making culture, process and enabling platform,</strong> emphasizing customer needs and desires</td>
</tr>
<tr>
<td>Efficiency Rules</td>
<td><strong>Cost efficiency is the priority</strong> where functions do not touch the customer directly</td>
</tr>
</tbody>
</table>
Resilience

Your going to here a number of definitions today…

• One Definition
  – The ability to recover to your normal performance level following a high-impact, low probability disruption

• Another
  – Is the capacity for industrial systems to survive, adapt and grow in turbulent change

• Another
  – Daily survival!
OUR VALUES — What We Stand For

- Doing what is right for associates, customers, and investors
- Being inclusive in our thoughts and behaviors
- Pursuing excellence in all we do
- Working for the greater good of the enterprise and the communities in which we operate
Limited Brands Supply Chain Model

Our Goal: Supporting Expectations to Profitably Grow Brands Through Seamless Integrated World Class Execution

LLS’ work requires the need to navigate across the chain...

DC Mgt. & Inventory Deployment

Transportation Mgt.

Customs Compliance

Supply Chain Engineering

Supply Chain Planning, Product Regulatory Affairs & Procurement
Ongoing Supply Chain Strategic Planning Process Continually Looks at Environmental Factors

- Competitors
- Customers
- Technology
- Suppliers: Product & Services
- Labor/Workforce
- Regulatory/Governmental
- LLS Business Environment
Ongoing Supply Chain Resilience Looks at Both the Environment and Internal Capabilities

- Financial
- Reputational
- Human
- Strategic
- Operations
- Hazards

LLS Ongoing Business Continuity
Limited Brands International Sourcing

• Operate In, Source and Export From Over 45 Countries
International Operations

• **Managing Uncertainty**
  – National disasters
  – Economic challenges
  – Political unrest
  – Health challenges
  – Infrastructure capacity
Logistics Is Simple... What Could Be Uncertain?
Asia Origin is Major Sourcing Shift
Low US Port Productivity - Continues To Be An Issue

Port Productivity (U.S vs. Asia)

GM/hr

US Ports

Asia Ports

- NY/Newark
- APL San Pedro
- APL Oakland
- APL Seattle
- Tacoma
- Long Beach
- Kaohsiung
- APL Yokohama
- APL Kobe
- Hong Kong
- HIT
- Chiwan
### Port Capacity/Infrastructure - An Ongoing Issue

<table>
<thead>
<tr>
<th>Location</th>
<th>2004 Volume</th>
<th>YOY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>7.3M TEU</td>
<td>3%</td>
</tr>
<tr>
<td>Long Beach</td>
<td>5.8M TEU</td>
<td>25%</td>
</tr>
<tr>
<td>Seattle</td>
<td>1.8M TEU</td>
<td>20%</td>
</tr>
<tr>
<td>Oakland</td>
<td>2.0M TEU</td>
<td>6.2%</td>
</tr>
<tr>
<td>New York/NJ</td>
<td>4.6M TEU</td>
<td>12%</td>
</tr>
<tr>
<td>Charleston/Savannah</td>
<td>2.0M/1.7M TEU</td>
<td>17%/12.5%</td>
</tr>
<tr>
<td>Vancouver</td>
<td>1.8 M TEU</td>
<td>8%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>1.9M TEU</td>
<td>12.6%</td>
</tr>
<tr>
<td>Panama Canal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Punta Colonet/Lazaro Cardenas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Key Issues:
- Delays due to labor shortages have subsided with seasonal drop-off in cargo volumes but will return with volume.
  - 6,000 longshoreman casuals added will require long time to gain necessary skill sets.
  - Railroad capacities stretched and effected by any disruption shortages.
  - Late arrival of 8,000TEU ship alone can disrupt schedules for several days.
- Periodic yard and gate congestion.
- Canadian rail performance very poor and lacks capability to grow.
- Terminal capacity tightening up, shifting of services from LA.
  - Railroads struggle to handle increased volume.
- Operating at near capacity.
  - Vessel delays in transit.
  - Congestion delays.
- Periodic yard and gate congestion.
  - Poor East-West rail connectivity. Additional All-Water services in 2005 could put terminals under further pressure.
- Severe congestion.
  - Poor East-West rail connectivity.
- Development alternative to LA/Long Beach being planned for possible operation in 4-5 years.
  - Southwest Rail System poor without this.
- Periodic terminal & gate congestion.
Operate 4.8 Million Square Feet of DC Production Space
Deliver to Approximately 4000 Stores in USA
Congestion at the New Orleans interchange continues to cause 24 hour delays.

Delay in Chicago due to severe congestion, power shortages and weather.

Labor issues and congestion at Coquitlam causing 24 hour delays. Anticipate terminal delays in the coming week.

Locomotive shortages persist causing delays to train departures.

Oakland expected to be periodically congested due to rail to rail closures.

Cargo delays due to congestion in Salt Lake City.

Periodic delays in San Antonio.

Periodic embargo into Louisville.

Delays of 36-48 hours to inbound cargo loading to the rail.

Atlanta and Charlotte ramps are very congested causing delays of 24-36 hours in availability.

Periodic cargo origin delays will continue as a result of the rail route closures.

Congestion at the New Orleans interchange continues to cause 24 hour delays.
US Intermodal Rail Service - Struggling

Railroad Network

- Drowning in too much freight; competing internal rail commodity markets (e.g., grain/coal) for scarce resources
- 2-3 day transit delay the ‘norm’; 4-6 days common (worse at the peak of congestion in 04’)
- Wide swings in volume and asset velocity
- Any improvement in port transfer facilities (i.e. Alameda Corridor like) pushes problems to next choke point
- Inland terminals suffer from insufficient capacity and bunching/surges of cargo
- Poor financial returns restrict reinvestment in the business
US Trucking Services - Challenged

- Increased operating costs
- 2004 federal and state laws
  - Reduced daily and weekly driving hours -- up 12% reduction in annual revenue to drivers
- Escalating fuel prices
- Driver shortages effecting capacity:
  - Estimated 200,000 drivers have left the business since 2001.
Ensuring Operations Compliance
Compliance Aspects - Throughout the Product Life Cycle

Product Development and Manufacture
- **Customs (IPS)**
  - COO (Labor Practices)
- **FDA**
  - Formula, Document, Label Review, Product Registration
- **CPSC**
  - Label, Safety testing/documentation
- **FTC**
  - Labeling
- **OSHA**
  - Lab Safety
- **DOT/FAA**
  - Haz Mat Shipping
- **EPA**
  - Haz Waste Disposal

Entry into U.S.
- **Customs**
  - Classification, documentation and import entry filings
- **FDA**
  - Respond to Inquires
- **CPSC**
  - Product Documentation and Compliance

Transport to DC
- **DOT/FAA**
  - Haz Mat Shipping
- **EPA**
  - Haz Mat Disposal
- **Customs**
  - Supply Chain Security

Retail Outlets (website, catalogue)
- **OSHA**
  - Workplace Safety
- **DOT/FAA**
  - Haz Mat Shipping
- **FDA/CPSC**
  - Product Recalls
- **Local Fire Departments**
  - Occupancy and Haz Mat Permits
- **EPA**
  - Haz Mat Waste
- **FTC**
  - Promotion Regulation

Transport to Store or Customer
- **DOT/FAA**
  - Haz Mat Shipping
- **EPA**
  - Haz Mat Disposal

Storage in DC
- **OSHA**
  - Workplace Safety
- **Local Fire Department**
  - Storage Codes
- **EPA**
  - Haz Mat Disposal
- **FDA**
  - Good Manufacturing Practices relating to Storage

Disposal
- **EPA**
  - Haz Mat Disposal
- **DOT**
  - Haz Mat Shipping
Staying Connected to Our Constituency

Limited Brands

Fulfillment / Surveys
Customer Contact History
Order Mgt.
Customer Service

DEFENSIVE
OFFENSIVE

Customers
Associates
Suppliers
Other Stakeholders

Marketing Information / Analytics
Business Intelligence
Data Warehousing

Limited

Company Affairs
Legal
Risk Management
Human Resources
Quality / Regulatory
New Product Development
Stores
Brand Planning
Marketing

Staying Connected to Our Constituency

Telephone
Stores
Email
Fax
Letter
Chat
Supply Chain’s New Dimension - Security

• **International Trade**
  - Work with U.S. Customs to examine and release imports in a timely fashion **under any conditions**

• **Logistics Operations (Internationally)**
  - Be ready to mobilize alternate routing of product out of Far East
    - Air to ocean
    - Foreign to U.S. flags
    - Domestic bottom freight to dedicated cargo planes

• **Logistics Operations (Domestically)**
  - Keep product flowing to stores and customers reliably
    - At seaports, airports and across U.S.
    - To customers homes
Supply Chain’s New Dimension - Security

- **Product Quality**
  - Respond to suspicious product alerts across the supply chain
  - Inbound product, in DCs, in stores, in mailboxes

- **Human Resources**
  - Leverage existing inclusion awareness and training in DCs, Offices, stores and with customers

- **Travel Services**
  - Monitor and have plans to bring associates home safely who are ex-pats or currently on business travel in any effected areas
How We Are Managing Our Needs

- Use layered/redundant capabilities in key areas to provide needed resiliency

- Studying new/emerging threats on everyday possible disruptions

- Working within Industry groups, government and suppliers for development of infrastructure and security

- Continue to maintain a culture of awareness and sensitivity to a sense and response mentality to meeting serviced with consumer deviations and geographic and infrastructure disruptions
### Enterprise Risk Management Process

#### Key Risk Evaluation

<table>
<thead>
<tr>
<th>Risk:</th>
<th>Business Interruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Owner:</td>
<td></td>
</tr>
</tbody>
</table>

**Risk description:**
The risk that there is not an adequate or integrated plan (processes, systems, communications, resources) across the Enterprise to support the continuation of business activities in the event of a disruption.

<table>
<thead>
<tr>
<th>Potential Sources of the Risk</th>
<th>Potential Outcomes - Range of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Financial</td>
</tr>
<tr>
<td>Natural disaster</td>
<td>• Loss of assets</td>
</tr>
<tr>
<td>Terrorist act</td>
<td>• Loss of revenue</td>
</tr>
<tr>
<td>War</td>
<td>• Expenses to recover could be high and erode profits</td>
</tr>
<tr>
<td>Weather</td>
<td>• Drain cash earmarked for other investments</td>
</tr>
<tr>
<td>Saboteur</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Likelihood</th>
<th>Ability to Influence/Manage</th>
<th>Current Risk Mitigation</th>
<th>Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Controls and Risk Mitigation Action Assessment

<table>
<thead>
<tr>
<th>Actions</th>
<th>Current</th>
<th>Short Term</th>
<th>Long Term</th>
<th>No Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis management process and team</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Insurance products that cover natural disasters and contingent business interruption</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Routine system back-up processes</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Appointment of an individual owner responsible for the development of a fully integrated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>..........................................................</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of a process for updating any changes to processes, systems, or key individuals that affect the plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Resilience

- Stuff Happening All The Time
- Persistence
- Performance
- Results
IMAGINATION

THE MIND ONCE STRETCHED BY NEW IDEAS, NEVER RETURNS TO ITS ORIGINAL DIMENSIONS

Oliver Wendell Holmes
Resilience – Points of View For Today

- Enterprise Resilience
- Supply Chain Resilience
- Resilience Lean Processes
- Overcoming Vulnerability
- Risk Management & Supply Chain Performance
Thank You For Your Attention and Enjoy The Day!