

THE GAP, INC.
CONSOLIDATED BALANCE SHEETS

(\$ and shares in millions except par value)	February 3, 2018	January 28, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,783	\$ 1,783
Merchandise inventory	1,997	1,830
Other current assets	788	702
Total current assets	4,568	4,315
Property and equipment, net	2,805	2,616
Other long-term assets	616	679
Total assets	\$ 7,989	\$ 7,610
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of debt	\$ —	\$ 65
Accounts payable	1,181	1,243
Accrued expenses and other current liabilities	1,270	1,113
Income taxes payable	10	32
Total current liabilities	2,461	2,453
Long-term liabilities:		
Long-term debt	1,249	1,248
Lease incentives and other long-term liabilities	1,135	1,005
Total long-term liabilities	2,384	2,253
Commitments and contingencies (see Notes 11 and 15)		
Stockholders' equity:		
Common stock \$0.05 par value		
Authorized 2,300 shares for all periods presented; Issued and		
Outstanding 389 and 399 shares	19	20
Additional paid-in capital	8	81
Retained earnings	3,081	2,749
Accumulated other comprehensive income	36	54
Total stockholders' equity	3,144	2,904
Total liabilities and stockholders' equity	\$ 7,989	\$ 7,610

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF INCOME

(\$ and shares in millions except per share amounts)	Fiscal Year		
	2017	2016	2015
Net sales	\$ 15,855	\$ 15,516	\$ 15,797
Cost of goods sold and occupancy expenses	9,789	9,876	10,077
Gross profit	6,066	5,640	5,720
Operating expenses	4,587	4,449	4,196
Operating income	1,479	1,191	1,524
Interest expense	74	75	59
Interest income	(19)	(8)	(6)
Income before income taxes	1,424	1,124	1,471
Income taxes	576	448	551
Net income	\$ 848	\$ 676	\$ 920
Weighted-average number of shares—basic	393	399	411
Weighted-average number of shares—diluted	396	400	413
Earnings per share—basic	\$ 2.16	\$ 1.69	\$ 2.24
Earnings per share—diluted	\$ 2.14	\$ 1.69	\$ 2.23

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THE GAP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)	Fiscal Year		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 848	\$ 676	\$ 920
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	559	593	592
Amortization of lease incentives	(60)	(62)	(65)
Share-based compensation	87	76	76
Tax benefit from exercise of stock options and vesting of stock units	—	(4)	26
Excess tax benefit from exercise of stock options and vesting of stock units	—	(1)	(28)
Store asset impairment charges	28	107	54
Goodwill impairment charge	—	71	—
Non-cash and other items	19	(4)	(126)
Deferred income taxes	61	(54)	101
Changes in operating assets and liabilities:			
Merchandise inventory	(142)	46	(6)
Other current assets and other long-term assets	33	54	133
Accounts payable	(90)	146	(47)
Accrued expenses and other current liabilities	34	76	(41)
Income taxes payable, net of prepaid and other tax-related items	(52)	19	(24)
Lease incentives and other long-term liabilities	55	(20)	29
Net cash provided by operating activities	1,380	1,719	1,594
Cash flows from investing activities:			
Purchases of property and equipment	(731)	(524)	(726)
Insurance proceeds related to loss on property and equipment	66	—	—
Other	(3)	(5)	(4)
Net cash used for investing activities	(668)	(529)	(730)
Cash flows from financing activities:			
Proceeds from issuance of debt	—	—	400
Payments of debt	(67)	(421)	(21)
Proceeds from issuances under share-based compensation plans	30	29	65
Withholding tax payments related to vesting of stock units	(18)	(19)	(69)
Repurchases of common stock	(315)	—	(1,015)
Excess tax benefit from exercise of stock options and vesting of stock units	—	1	28
Cash dividends paid	(361)	(367)	(377)
Other	—	—	(1)
Net cash used for financing activities	(731)	(777)	(990)
Effect of foreign exchange rate fluctuations on cash and cash equivalents	19	—	(19)
Net increase (decrease) in cash and cash equivalents	—	413	(145)
Cash and cash equivalents at beginning of period	1,783	1,370	1,515
Cash and cash equivalents at end of period	<u>\$ 1,783</u>	<u>\$ 1,783</u>	<u>\$ 1,370</u>
Non-cash investing activities:			
Purchases of property and equipment not yet paid at end of period	\$ 77	\$ 56	\$ 81
Supplemental disclosure of cash flow information:			
Cash paid for interest during the period	\$ 76	\$ 82	\$ 78
Cash paid for income taxes during the period, net of refunds	\$ 570	\$ 488	\$ 452

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