

THE GAP, INC.
CONSOLIDATED BALANCE SHEETS

(\$ and shares in millions except par value)	February 2, 2019	February 3, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,081	\$ 1,783
Short-term investments	288	—
Merchandise inventory	2,131	1,997
Other current assets	751	788
Total current assets	4,251	4,568
Property and equipment, net of accumulated depreciation of \$5,755 and \$5,962	2,912	2,805
Other long-term assets	886	616
Total assets	\$ 8,049	\$ 7,989
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,126	\$ 1,181
Accrued expenses and other current liabilities	1,024	1,270
Income taxes payable	24	10
Total current liabilities	2,174	2,461
Long-term liabilities:		
Long-term debt	1,249	1,249
Lease incentives and other long-term liabilities	1,073	1,135
Total long-term liabilities	2,322	2,384
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 378 and 389 shares	19	19
Additional paid-in capital	—	8
Retained earnings	3,481	3,081
Accumulated other comprehensive income	53	36
Total stockholders' equity	3,553	3,144
Total liabilities and stockholders' equity	\$ 8,049	\$ 7,989

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF INCOME

(\$ and shares in millions except per share amounts)	Fiscal Year		
	2018	2017	2016
Net sales	\$ 16,580	\$ 15,855	\$ 15,516
Cost of goods sold and occupancy expenses	10,258	9,789	9,876
Gross profit	6,322	6,066	5,640
Operating expenses	4,960	4,587	4,449
Operating income	1,362	1,479	1,191
Interest expense	73	74	75
Interest income	(33)	(19)	(8)
Income before income taxes	1,322	1,424	1,124
Income taxes	319	576	448
Net income	\$ 1,003	\$ 848	\$ 676
Weighted-average number of shares—basic	385	393	399
Weighted-average number of shares—diluted	388	396	400
Earnings per share—basic	\$ 2.61	\$ 2.16	\$ 1.69
Earnings per share—diluted	\$ 2.59	\$ 2.14	\$ 1.69
Cash dividends declared and paid per share	\$ 0.97	\$ 0.92	\$ 0.92

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THE GAP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)	Fiscal Year		
	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 1,003	\$ 848	\$ 676
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	578	559	593
Amortization of lease incentives	(61)	(60)	(62)
Share-based compensation	91	87	76
Tax benefit from exercise of stock options and vesting of stock units	—	—	(4)
Excess tax benefit from exercise of stock options and vesting of stock units	—	—	(1)
Store asset impairment charges	14	28	107
Goodwill impairment charge	—	—	71
Non-cash and other items	(6)	19	(4)
Deferred income taxes	65	61	(54)
Changes in operating assets and liabilities:			
Merchandise inventory	(154)	(142)	46
Other current assets and other long-term assets	(18)	33	54
Accounts payable	(78)	(90)	146
Accrued expenses and other current liabilities	(196)	34	76
Income taxes payable, net of prepaid and other tax-related items	113	(52)	19
Lease incentives and other long-term liabilities	30	55	(20)
Net cash provided by operating activities	1,381	1,380	1,719
Cash flows from investing activities:			
Purchases of property and equipment	(705)	(731)	(524)
Purchases of short-term investments	(464)	—	—
Sales and maturities of short-term investments	177	—	—
Insurance proceeds related to loss on property and equipment	—	66	—
Other	(9)	(1)	(5)
Net cash used for investing activities	(1,001)	(666)	(529)
Cash flows from financing activities:			
Payments of debt	—	(67)	(421)
Proceeds from issuances under share-based compensation plans	46	30	29
Withholding tax payments related to vesting of stock units	(23)	(18)	(19)
Repurchases of common stock	(398)	(315)	—
Excess tax benefit from exercise of stock options and vesting of stock units	—	—	1
Cash dividends paid	(373)	(361)	(367)
Other	(1)	—	—
Net cash used for financing activities	(749)	(731)	(777)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(10)	19	—
Net increase (decrease) in cash, cash equivalents, and restricted cash	(379)	2	413
Cash, cash equivalents, and restricted cash at beginning of period	1,799	1,797	1,384
Cash, cash equivalents, and restricted cash at end of period	\$ 1,420	\$ 1,799	\$ 1,797
Non-cash investing activities:			
Purchases of property and equipment not yet paid at end of period	\$ 93	\$ 77	\$ 56
Supplemental disclosure of cash flow information:			
Cash paid for interest during the period	\$ 76	\$ 76	\$ 82
Cash paid for income taxes during the period, net of refunds	\$ 143	\$ 570	\$ 488

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