

**THE GAP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

(\$ and shares in millions except per share amounts)	Fiscal Year		
	2019	2018	2017
Net sales	\$ 16,383	\$ 16,580	\$ 15,855
Cost of goods sold and occupancy expenses	10,250	10,258	9,789
Gross profit	6,133	6,322	6,066
Operating expenses	5,559	4,960	4,587
Operating income	574	1,362	1,479
Interest expense	76	73	74
Interest income	(30)	(33)	(19)
Income before income taxes	528	1,322	1,424
Income taxes	177	319	576
Net income	\$ 351	\$ 1,003	\$ 848
Weighted-average number of shares—basic	376	385	393
Weighted-average number of shares—diluted	378	388	396
Earnings per share—basic	\$ 0.93	\$ 2.61	\$ 2.16
Earnings per share—diluted	\$ 0.93	\$ 2.59	\$ 2.14
Cash dividends declared and paid per share	\$ 0.97	\$ 0.97	\$ 0.92

See Accompanying Notes to Consolidated Financial Statements

**THE GAP, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(\$ and shares in millions except per share amounts)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
<b>Balance as of January 28, 2017</b>	<b>399</b>	<b>\$ 20</b>	<b>\$ 81</b>	<b>\$ 2,749</b>	<b>\$ 54</b>	<b>\$ 2,904</b>
Cumulative effect of a change in accounting principle related to share-based compensation			(5)	3		(2)
Net income				848		848
Other comprehensive loss, net of tax					(18)	(18)
Repurchases and retirement of common stock	(13)	(1)	(156)	(158)		(315)
Issuance of common stock related to stock options and employee stock purchase plans	2	—	30			30
Issuance of common stock and withholding tax payments related to vesting of stock units	1	—	(18)			(18)
Share-based compensation, net of forfeitures			76			76
Common stock dividends (\$0.92 per share)				(361)		(361)
<b>Balance as of February 3, 2018</b>	<b>389</b>	<b>19</b>	<b>8</b>	<b>3,081</b>	<b>36</b>	<b>3,144</b>
Cumulative effect of a change in accounting principle related to revenue recognition				36		36
Net income				1,003		1,003
Other comprehensive income, net of tax					17	17
Repurchases and retirement of common stock	(14)	—	(132)	(266)		(398)
Issuance of common stock related to stock options and employee stock purchase plans	2	—	46			46
Issuance of common stock and withholding tax payments related to vesting of stock units	1	—	(23)			(23)
Share-based compensation, net of forfeitures			101			101
Common stock dividends (\$0.97 per share)				(373)		(373)
<b>Balance as of February 2, 2019</b>	<b>378</b>	<b>19</b>	<b>—</b>	<b>3,481</b>	<b>53</b>	<b>3,553</b>
Cumulative effect of a change in accounting principle related to leases				(86)		(86)
Net income				351		351
Other comprehensive loss, net of tax					(13)	(13)
Repurchases and retirement of common stock	(10)	—	(75)	(125)		(200)
Issuance of common stock related to stock options and employee stock purchase plans	1	—	25			25
Issuance of common stock and withholding tax payments related to vesting of stock units	2	—	(21)			(21)
Share-based compensation, net of forfeitures			71			71
Common stock dividends (\$0.97 per share)				(364)		(364)
<b>Balance as of February 1, 2020</b>	<b>371</b>	<b>\$ 19</b>	<b>\$ —</b>	<b>\$ 3,257</b>	<b>\$ 40</b>	<b>\$ 3,316</b>

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**THE GAP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

(\$ in millions)	Fiscal Year		
	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 351	\$ 1,003	\$ 848
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	557	578	559
Amortization of lease incentives	—	(61)	(60)
Share-based compensation	68	91	87
Impairment of operating lease assets	239	—	—
Impairment of store assets	98	14	28
Loss on disposal of property and equipment	70	4	11
Non-cash and other items	(10)	(10)	8
Gain on sale of building	(191)	—	—
Deferred income taxes	(81)	65	61
Changes in operating assets and liabilities:			
Merchandise inventory	4	(154)	(142)
Other current assets and other long-term assets	105	(18)	33
Accounts payable	66	(78)	(90)
Accrued expenses and other current liabilities	110	(196)	34
Income taxes payable, net of prepaid and other tax-related items	86	113	(52)
Lease incentives and other long-term liabilities	—	30	55
Operating lease assets and liabilities, net	(61)	—	—
Net cash provided by operating activities	1,411	1,381	1,380
Cash flows from investing activities:			
Purchases of property and equipment	(702)	(705)	(731)
Purchase of building	(343)	—	—
Proceeds from sale of building	220	—	—
Purchases of short-term investments	(293)	(464)	—
Proceeds from sales and maturities of short-term investments	293	177	—
Purchase of Janie and Jack	(69)	—	—
Insurance proceeds related to loss on property and equipment	—	—	66
Other	—	(9)	(1)
Net cash used for investing activities	(894)	(1,001)	(666)
Cash flows from financing activities:			
Payments of debt	—	—	(67)
Proceeds from issuances under share-based compensation plans	25	46	30
Withholding tax payments related to vesting of stock units	(21)	(23)	(18)
Repurchases of common stock	(200)	(398)	(315)
Cash dividends paid	(364)	(373)	(361)
Other	—	(1)	—
Net cash used for financing activities	(560)	(749)	(731)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	4	(10)	19
Net increase (decrease) in cash, cash equivalents, and restricted cash	(39)	(379)	2
Cash, cash equivalents, and restricted cash at beginning of period	1,420	1,799	1,797
Cash, cash equivalents, and restricted cash at end of period	\$ 1,381	\$ 1,420	\$ 1,799
Non-cash investing activities:			
Purchases of property and equipment not yet paid at end of period	\$ 85	\$ 93	\$ 77
Supplemental disclosure of cash flow information:			
Cash paid for interest during the period	\$ 76	\$ 76	\$ 76
Cash paid for income taxes during the period, net of refunds	\$ 176	\$ 143	\$ 570
Cash paid for operating lease liabilities	\$ 1,244	\$ —	\$ —

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