

**THE GAP, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(\$ and shares in millions except par value)	January 30, 2016	January 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,370	\$ 1,515
Merchandise inventory	1,873	1,889
Other current assets	742	913
Total current assets	3,985	4,317
Property and equipment, net	2,850	2,773
Other long-term assets	638	600
Total assets	<u>\$ 7,473</u>	<u>\$ 7,690</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of debt	\$ 421	\$ 21
Accounts payable	1,112	1,173
Accrued expenses and other current liabilities	979	1,020
Income taxes payable	23	20
Total current liabilities	2,535	2,234
Long-term liabilities:		
Long-term debt	1,310	1,332
Lease incentives and other long-term liabilities	1,083	1,141
Total long-term liabilities	2,393	2,473
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 397 and 421 shares	20	21
Retained earnings	2,440	2,797
Accumulated other comprehensive income	85	165
Total stockholders' equity	2,545	2,983
Total liabilities and stockholders' equity	<u>\$ 7,473</u>	<u>\$ 7,690</u>

See Accompanying Notes to Consolidated Financial Statements

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

(\$ and shares in millions except per share amounts)	Fiscal Year		
	2015	2014	2013
Net sales	\$ 15,797	\$ 16,435	\$ 16,148
Cost of goods sold and occupancy expenses	10,077	10,146	9,855
Gross profit	5,720	6,289	6,293
Operating expenses	4,196	4,206	4,144
Operating income	1,524	2,083	2,149
Interest expense	59	75	61
Interest income	(6)	(5)	(5)
Income before income taxes	1,471	2,013	2,093
Income taxes	551	751	813
Net income	\$ 920	\$ 1,262	\$ 1,280
Weighted-average number of shares—basic	411	435	461
Weighted-average number of shares—diluted	413	440	467
Earnings per share—basic	\$ 2.24	\$ 2.90	\$ 2.78
Earnings per share—diluted	\$ 2.23	\$ 2.87	\$ 2.74

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

(\$ in millions)	Fiscal Year		
	2015	2014	2013
Cash flows from operating activities:			
Net income	\$ 920	\$ 1,262	\$ 1,280
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	592	564	536
Amortization of lease incentives	(65)	(64)	(66)
Share-based compensation	76	100	116
Tax benefit from exercise of stock options and vesting of stock units	26	37	50
Excess tax benefit from exercise of stock options and vesting of stock units	(28)	(38)	(56)
Non-cash and other items	(72)	(56)	(60)
Deferred income taxes	101	75	69
Changes in operating assets and liabilities:			
Merchandise inventory	(6)	(9)	(193)
Other current assets and other long-term assets	133	240	(44)
Accounts payable	(47)	(41)	105
Accrued expenses and other current liabilities	(41)	(33)	(5)
Income taxes payable, net of prepaid and other tax-related items	(24)	(87)	(74)
Lease incentives and other long-term liabilities	29	179	47
Net cash provided by operating activities	<u>1,594</u>	<u>2,129</u>	<u>1,705</u>
Cash flows from investing activities:			
Purchases of property and equipment	(726)	(714)	(670)
Proceeds from sale of property and equipment	—	121	—
Maturities of short-term investments	—	—	50
Other	(4)	(3)	(4)
Net cash used for investing activities	<u>(730)</u>	<u>(596)</u>	<u>(624)</u>
Cash flows from financing activities:			
Proceeds from issuance of short-term debt	400	—	—
Proceeds from issuance of long-term debt	—	—	144
Payments of long-term debt	(21)	(21)	—
Proceeds from issuances under share-based compensation plans	65	90	142
Withholding tax payments related to vesting of stock units	(69)	(52)	(45)
Repurchases of common stock	(1,015)	(1,179)	(979)
Excess tax benefit from exercise of stock options and vesting of stock units	28	38	56
Cash dividends paid	(377)	(383)	(321)
Other	(1)	—	(1)
Net cash used for financing activities	<u>(990)</u>	<u>(1,507)</u>	<u>(1,004)</u>
Effect of foreign exchange rate fluctuations on cash and cash equivalents	(19)	(21)	(27)
Net increase (decrease) in cash and cash equivalents	(145)	5	50
Cash and cash equivalents at beginning of period	1,515	1,510	1,460
Cash and cash equivalents at end of period	<u>\$ 1,370</u>	<u>\$ 1,515</u>	<u>\$ 1,510</u>
Non-cash investing activities:			
Purchases of property and equipment not yet paid at end of period	\$ 81	\$ 73	\$ 90
Supplemental disclosure of cash flow information:			
Cash paid for interest during the period	\$ 78	\$ 77	\$ 77
Cash paid for income taxes during the period, net of refunds	\$ 452	\$ 714	\$ 805

See Accompanying Notes to Consolidated Financial Statements