GAP, INC. (THE) NYSE-GPS

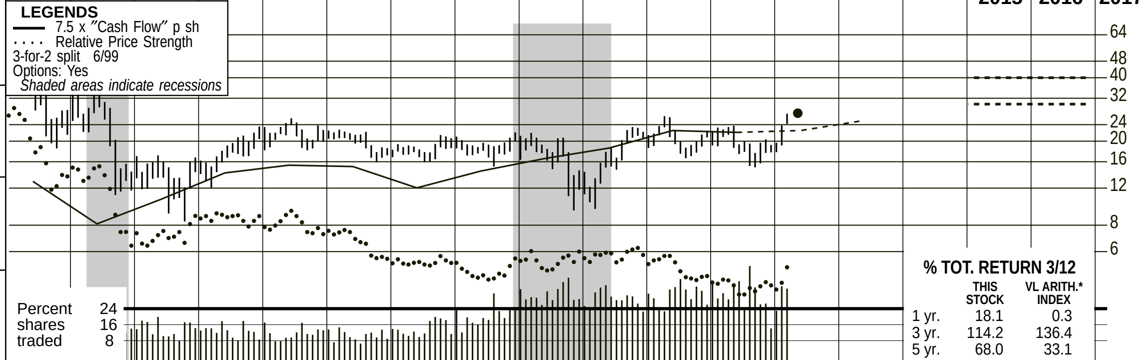
RECENT PRICE	27.19	P/E RATIO	15.8 (Trailing: 17.4 Median: 16.0)	RELATIVE P/E RATIO	1.03	DIV'D YLD	1.8%	VALUE LINE

TIMELINESS	3 Raised 7/22/11
SAFETY	2 Raised 2/6/09
TECHNICAL	3 Lowered 4/20/12

BETA 1.00 (1.00 = Market)

High:	35.0	17.1	23.5	25.7	22.7	21.4	22.0	21.9	23.4	26.3	23.7	28.0
Low:	11.1	8.4	12.0	18.1	15.9	15.9	15.2	9.4	9.6	16.6	15.1	17.8

LEGENDS
— 7.5 x "Cash Flow" p sh
.... Relative Price Strength
3-for-2 split 6/99
Options: Yes
Shaded areas indicate recessions



Target Price Range

2015	2016	2017

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+45%)	*12%*
Low	30	(+10%)	*5%*

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	1	3	1	1	0	1	1	0	3
to Sell	0	1	0	0	0	1	0	0	3

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	149	145	150
to Sell	240	230	210
Hld's(000)	336420	281257	270989

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	18.1	0.3
3 yr.	114.2	136.4
5 yr.	68.0	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
5.70	7.36	10.55	13.68	16.01	16.00	16.29	17.67	18.90	18.70	19.59	21.48	20.93	21.00	24.94	30.00	*32.95*	*35.50*	Sales per sh A	*42.90*
.72	.91	1.34	1.84	1.72	1.09	1.42	1.89	2.06	2.03	1.61	1.93	2.21	2.48	3.00	2.94	*3.00*	*3.35*	"Cash Flow" per sh	*4.35*
.47	.58	.91	1.26	1.00	.15	.54	1.09	1.21	1.24	.93	1.09	1.34	1.58	1.88	1.56	*1.90*	*2.10*	Earnings per sh B	*2.75*
.09	.09	.09	.09	.09	.09	.09	.09	.09	.18	.32	.32	.34	.34	.40	.45	*.50*	*.55*	Div'ds Decl'd per sh C	*.70*
1.79	1.79	1.83	2.63	3.43	3.48	4.12	5.33	5.74	6.33	6.36	5.82	6.32	7.24	6.94	5.68	*5.70*	*5.70*	Book Value per sh	*6.30*
926.50	884.55	857.96	850.50	854.00	865.73	887.32	897.20	860.56	856.99	813.87	734.00	694.00	676.00	588.00	485.00	*457.00*	*434.00*	Common Shs Outst'g D	*380.00*
19.0	22.3	29.2	33.5	32.5	NMF	25.2	16.7	17.7	15.8	19.8	17.2	12.5	11.2	11.0	12.4	*Bold figures are*		Avg Ann'l P/E Ratio	*12.0*
1.19	1.29	1.52	1.91	2.11	NMF	1.38	.95	.94	.84	1.07	.91	.75	.75	.70	.78	*Value Line*		Relative P/E Ratio	*.80*
1.0%	.7%	.3%	.2%	.3%	.4%	.7%	.5%	.4%	.9%	1.7%	1.7%	2.0%	1.9%	1.9%	2.3%	*estimates*		Avg Ann'l Div'd Yield	*2.0%*
						14455	15854	16267	16023	15943	15763	14526	14197	14664	14549	*15050*	*15400*	Sales ($mill) A	*16300*
						39.4%	41.8%	43.0%	40.5%	38.8%	39.6%	41.4%	44.4%	44.0%	40.3%	*40.5%*	*40.5%*	Gross Margin	*40.5%*
						12.4%	16.0%	16.6%	14.8%	10.7%	11.8%	14.6%	16.8%	17.3%	14.0%	*14.2%*	*14.2%*	Operating Margin	*14.5%*
						4252	3022	2994	3053	3131	3167	3149	3095	3068	3036	*3045*	*3055*	Number of Stores	*3100*
						477.5	1030.0	1150.0	1113.0	778.0	867.0	967.0	1102.0	1204.0	833.0	*905*	*945*	Net Profit ($mill)	*1080*
						40.4%	38.8%	38.6%	37.9%	38.4%	38.3%	39.0%	39.3%	39.3%	39.2%	*39.5%*	*39.5%*	Income Tax Rate	*40.0%*
						3.3%	6.5%	7.1%	6.9%	4.9%	5.5%	6.7%	7.8%	8.2%	5.7%	*6.0%*	*6.1%*	Net Profit Margin	*6.6%*
						3013.1	4197.0	4062.0	3297.0	2757.0	1653.0	1847.0	2533.0	1831.0	2181.0	*1850*	*1650*	Working Cap'l ($mill)	*1400*
						2895.8	2487.0	1886.0	513.0	188.0	50.0	- -	- -	- -	1606.0	*1550*	*1500*	Long-Term Debt ($mill)	*1350*
						3658.2	4783.0	4936.0	5425.0	5174.0	4274.0	4387.0	4891.0	4080.0	2755.0	*2600*	*2475*	Shr. Equity ($mill)	*2400*
						8.9%	15.6%	17.9%	19.1%	14.9%	20.4%	22.1%	22.5%	29.5%	19.9%	*22.5%*	*25.0%*	Return on Total Cap'l	*30.0%*
						13.1%	21.5%	23.3%	20.5%	15.0%	20.3%	22.0%	22.5%	29.5%	30.2%	*35.0%*	*38.0%*	Return on Shr. Equity	*45.0%*
						10.9%	19.9%	21.7%	17.2%	9.9%	14.4%	16.5%	17.7%	23.3%	21.7%	*25.5%*	*28.0%*	Retained to Com Eq	*33.5%*
						16%	8%	7%	16%	34%	29%	25%	21%	21%	28%	*26%*	*26%*	All Div'ds to Net Prof	*25%*

CAPITAL STRUCTURE as of 1/28/12
Total Debt $1665 mill. **Due in 5 Yrs** $419.0 mill.
LT Debt $1606 mill. **LT Interest** $88 mill.
(LT interest coverage: 19.0x) (37% of Cap'l)
Leases, Uncapitalized Annual rentals $1.0 bill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 485,000,000 shs.

MARKET CAP: $13.2 billion (Large Cap)

CURRENT POSITION ($MILL.)	2008	2009	1/28/12
Cash Assets	1756	2591	1885
Receivables	- -	- -	- -
Inventory (FIFO)	1506	1477	1615
Other	743	596	809
Current Assets	4005	4664	4309
Accts Payable	975	1027	1066
Debt Due	50	- -	59
Other	1133	1104	1003
Current Liab.	2158	2131	2128

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Sales	5.0%	6.0%	*9.0%*
"Cash Flow"	6.0%	8.0%	*7.5%*
Earnings	7.5%	8.0%	*8.5%*
Dividends	16.0%	15.0%	*10.0%*
Book Value	7.5%	1.5%	*-1.0%*

Fiscal Year Begins	QUARTERLY SALES ($ mill.) A Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2009	3127	3245	3589	4236	14197
2010	3329	3317	3654	4364	14664
2011	3295	3386	3585	4283	14549
2012	***3465***	***3445***	***3715***	***4425***	***15050***
2013	***3550***	***3530***	***3805***	***4515***	***15400***

Fiscal Year Begins	EARNINGS PER SHARE A B Apr.Per	Jul.Per	Oct.Per	Jan.Per	Full Fiscal Year
2009	.31	.33	.44	.50	1.58
2010	.45	.36	.48	.59	1.88
2011	.39	.35	.38	.44	1.56
2012	***.42***	***.34***	***.52***	***.62***	***1.90***
2013	***.49***	***.39***	***.55***	***.67***	***2.10***

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.085	.085	.085	.085	.34
2009	.085	.085	.085	.085	.34
2010	.10	.10	.10	.10	.40
2011	.1125	.1125	.1125	.1125	.45
2012	.1125	.1250			

BUSINESS: The Gap, Inc. operated 3,036 casual apparel specialty stores with about 37 million square feet of selling space as of 1/28/12. Gap and GapKids (1,047 U.S. and 345 foreign stores) sell jeans, sweatsuits, shirts, sweaters, and related apparel. Banana Republic (612 stores; incl.319 in Asia) sells upscale casual wear. Old Navy (1,016 stores) sells budget-priced clothing. Internet-sourced business accounted for 11% of' 110 sales; foreign sales were 26% of total. Merchandise is private label. Has about 132,000 employees. Fisher family owns 32.3% of stock. Other officers and directors, less than 1% (March 2012 proxy). Chairman & CEO. Glenn Murphy. Inc.: Delaware. Addr.: Two Folsom St., San Francisco, CA 94105. Telephone: 650-952-4400. Internet: www.gap.com.

The Gap's earnings in fiscal 2011 and estimated year-to-year comparisons in the second half of fiscal 2012, in particular, reflect a sharp jump in cotton prices last year, followed by a subsequent retreat. (Fiscal 2012 ends February 2, 2013.) The company purchased forward contracts for bulk cotton in early 2011 at peak prices, which were included in cost of goods sold in the second half of that fiscal year. This development was exacerbated by the necessity, due to competitive pressures, to defer price increases on its jeans, shirts, and other cotton-content goods.

The top and bottom lines are being bolstered by a number of recent merchandise revisions. They were a key factor in The Gap's same-store sales increase of 6%, on average, in the first two months of fiscal 2012. Other contributors were easy comparisons and, in March, unseasonably warm weather. Notably, sales of a new children's clothing collection, designed in conjunction with Diane Von Furstenberg, have been quite strong. Also, advertising for The Gap's domestic chains appears to be more effective than the previous campaigns. All told, we've raised our sales and share-earnings estimates for this year by 2.7% and $0.25 (to $1.90), respectively, since our February report.

The retailer's expansion focus is now on foreign markets. Over the course of fiscal 2011, it entered eight foreign markets, including China, bringing the total to 39. The number of international company-owned and franchise units increased by 82 (16%) last year, while the net decrease in North America for the Gap and Old Navy chains was 79 (4%). A similar scenario is on tap for fiscal 2012.

Much of our projected share-earnings gains to 2015–2017 reflect the likelihood of considerable, annual declines in the share count. Indeed, although we forecast a gain of about 30% in net profits over the five years subsequent to fiscal 2011, share net may well advance 75% or so during this period. Free cash flow, supplemented by cash assets (currently $1.9 billion), should continue to fund stock repurchases.

This neutrally ranked stock is not attractive at present, following a sharp share-price increase since January.

David R. Cohen *May 4, 2012*

(A) Fiscal year ends Sat. closest to Jan. 31st of the following calendar year.
(B) Diluted earnings. Excl. loss on discontinued operations/nonrecurrings: '01, 16¢; '07, 4¢.
Next earnings report due late May.
(C) Dividends historically paid in late Jan., late April, late July, and late October.
(D) In millions, adjusted for stock split.

Company's Financial Strength	A+
Stock's Price Stability	70
Price Growth Persistence	40
Earnings Predictability	85