

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	August 1, 2020	August 3, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,188	\$ 1,177
Short-term investments	25	294
Merchandise inventory	2,242	2,326
Other current assets	882	770
Total current assets	5,337	4,567
Property and equipment, net	2,895	3,141
Operating lease assets	4,689	5,807
Other long-term assets	795	528
Total assets	\$ 13,716	\$ 14,043
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,629	\$ 1,246
Accrued expenses and other current liabilities	1,124	908
Current portion of operating lease liabilities	856	946
Income taxes payable	40	34
Total current liabilities	3,649	3,134
Long-term liabilities:		
Long-term debt	2,212	1,249
Long-term operating lease liabilities	5,179	5,644
Lease incentives and other long-term liabilities	423	391
Total long-term liabilities	7,814	7,284
Total stockholders' equity	2,253	3,625
Total liabilities and stockholders' equity	\$ 13,716	\$ 14,043

The Gap, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	13 Weeks Ended		26 Weeks Ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
(\$ and shares in millions except per share amounts)				
Net sales	\$ 3,275	\$ 4,005	\$ 5,382	\$ 7,711
Cost of goods sold and occupancy expenses	2,126	2,449	3,965	4,811
Gross profit	1,149	1,556	1,417	2,900
Operating expenses	1,076	1,274	2,588	2,302
Operating income (loss)	73	282	(1,171)	598
Loss on extinguishment of debt	58	-	58	-
Interest, net	56	11	71	25
Income (loss) before income taxes	(41)	271	(1,300)	573
Income taxes	21	103	(306)	178
Net income (loss)	\$ (62)	\$ 168	\$ (994)	\$ 395
Weighted-average number of shares - basic	374	378	373	378
Weighted-average number of shares - diluted	374	379	373	380
Earnings (loss) per share - basic	\$ (0.17)	\$ 0.44	\$ (2.66)	\$ 1.04
Earnings (loss) per share - diluted	\$ (0.17)	\$ 0.44	\$ (2.66)	\$ 1.04

The Gap, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

(\$ in millions)	26 Weeks Ended	
	August 1, 2020 (a)	August 3, 2019 (a)
Cash flows from operating activities:		
Net income (loss)	\$ (994)	\$ 395
Depreciation and amortization	256	277
Impairment of operating lease assets	361	-
Impairment of store assets	127	3
Loss on extinguishment of debt	58	-
Gain on sale of building	-	(191)
Change in merchandise inventory	(91)	(166)
Other, net	196	265
Net cash provided by (used for) operating activities	(87)	583
Cash flows from investing activities:		
Purchases of property and equipment	(208)	(324)
Purchase of building	-	(343)
Proceeds from sale of building	-	220
Purchases of short-term investments	(59)	(150)
Proceeds from sales and maturities of short-term investments	325	146
Purchase of Janie and Jack	-	(69)
Other	2	-
Net cash provided by (used for) investing activities	60	(520)
Cash flows from financing activities:		
Proceeds from revolving credit facility	500	-
Payments for revolving credit facility	(500)	-
Proceeds from issuance of long-term debt	2,250	-
Payments to extinguish debt	(1,307)	-
Payments for debt issuance costs	(61)	-
Proceeds from issuances under share-based compensation plans	12	17
Withholding tax payments related to vesting of stock units	(8)	(20)
Repurchases of common stock	-	(100)
Cash dividends paid	-	(183)
Net cash provided by (used for) financing activities	886	(286)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	1	(2)
Net increase (decrease) in cash, cash equivalents, and restricted cash	860	(225)
Cash, cash equivalents, and restricted cash at beginning of period	1,381	1,420
Cash, cash equivalents, and restricted cash at end of period	\$ 2,241	\$ 1,195

(a) For the twenty-six weeks ended August 1, 2020 and August 3, 2019, total cash, cash equivalents, and restricted cash includes \$53 million and \$18 million, respectively, of restricted cash recorded in other current assets and other long-term assets on the Condensed Consolidated Balance Sheets.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

FREE CASH FLOW

Free cash flow is a non-GAAP financial measure. We believe free cash flow is an important metric because it represents a measure of how much cash a company has available for discretionary and non-discretionary items after the deduction of capital expenditures as we require regular capital expenditures to build and maintain stores and purchase new equipment to improve our business and infrastructure. We use this metric internally, as we believe our sustained ability to generate free cash flow is an important driver of value creation. However, this non-GAAP financial measure is not intended to supersede or replace our GAAP results.

(\$ in millions)	26 Weeks Ended	
	August 1, 2020	August 3, 2019
Net cash provided by (used for) operating activities	\$ (87)	\$ 583
Less: Purchases of property and equipment (a)	(208)	(324)
Free cash flow	<u>\$ (295)</u>	<u>\$ 259</u>

(a) Excludes purchase of building in the first quarter of fiscal 2019.

The Gap, Inc.
NET SALES RESULTS
UNAUDITED

The following table details the Company's second quarter net sales (unaudited):

(\$ in millions)

13 Weeks Ended August 1, 2020	Old Navy		Banana		Total
	Global	Gap Global	Republic Global	Other (3)	
U.S. (1)	\$ 1,726	\$ 473	\$ 236	\$ 328	\$ 2,763
Canada	145	63	27	-	235
Europe	-	70	2	-	72
Asia	2	158	14	-	174
Other regions	8	19	4	-	31
Total	\$ 1,881	\$ 783	\$ 283	\$ 328	\$ 3,275

(\$ in millions)

13 Weeks Ended August 3, 2019	Old Navy		Banana		Total
	Global	Gap Global	Republic Global (2)	Other (4)	
U.S. (1)	\$ 1,794	\$ 645	\$ 530	\$ 331	\$ 3,300
Canada	148	85	53	-	286
Europe	-	131	4	-	135
Asia	11	201	23	-	235
Other regions	19	24	6	-	49
Total	\$ 1,972	\$ 1,086	\$ 616	\$ 331	\$ 4,005

(1) U.S. includes the United States, Puerto Rico, and Guam.

(2) Banana Republic Global fiscal year 2019 net sales include Janie and Jack brand.

(3) Primarily consists of net sales for the Athleta, Intermix, and Hill City brands. Beginning in fiscal year 2020, Janie and Jack net sales are also included. Net sales for Athleta for the thirteen weeks ended August 1, 2020 were \$267 million.

(4) Primarily consists of net sales for the Athleta, Intermix, and Hill City brands as well as a portion of income related to our credit card agreement. Net sales for Athleta for the thirteen weeks ended August 3, 2019 were \$252 million.

The Gap, Inc.
REAL ESTATE

Store count, openings, closings, and square footage for our stores are as follows:

	February 1, 2020	26 Weeks Ended August 1, 2020		August 1, 2020	
	Store Locations	Store Locations Opened	Store Locations Closed (1)	Store Locations	Square Feet (millions)
Old Navy North America	1,207	14	8	1,213	19.5
Old Navy Asia	17	-	17	-	-
Gap North America	675	2	66	611	6.5
Gap Asia	358	10	10	358	3.2
Gap Europe	137	3	11	129	1.1
Banana Republic North America	541	2	45	498	4.2
Banana Republic Asia	48	4	5	47	0.2
Athleta North America	190	8	2	196	0.8
Intermix North America	33	-	1	32	0.1
Janie and Jack North America	139	-	8	131	0.2
Company-operated stores total	3,345	43	173	3,215	35.8
Franchise	574	35	10	599	N/A
Total	3,919	78	183	3,814	35.8

(1) This represents stores permanently closed, not stores temporarily closed as a result of COVID-19.