

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	October 31, 2020	November 2, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,471	\$ 788
Short-term investments	178	294
Merchandise inventory	2,747	2,720
Other current assets	966	770
Total current assets	6,362	4,572
Property and equipment, net	2,846	3,225
Operating lease assets	4,460	5,796
Other long-term assets	705	525
Total assets	\$ 14,373	\$ 14,118
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,284	\$ 1,241
Accrued expenses and other current liabilities	1,283	974
Current portion of operating lease liabilities	823	934
Income taxes payable	41	43
Total current liabilities	4,431	3,192
Long-term liabilities:		
Long-term debt	2,214	1,249
Long-term operating lease liabilities	4,899	5,650
Lease incentives and other long-term liabilities	458	393
Total long-term liabilities	7,571	7,292
Total stockholders' equity	2,371	3,634
Total liabilities and stockholders' equity	\$ 14,373	\$ 14,118

The Gap, Inc.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED**

	13 Weeks Ended		39 Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
(\$ and shares in millions except per share amounts)				
Net sales	\$ 3,994	\$ 3,998	\$ 9,376	\$ 11,709
Cost of goods sold and occupancy expenses	<u>2,374</u>	<u>2,439</u>	<u>6,339</u>	<u>7,250</u>
Gross profit	1,620	1,559	3,037	4,459
Operating expenses	<u>1,445</u>	<u>1,338</u>	<u>4,033</u>	<u>3,640</u>
Operating income (loss)	175	221	(996)	819
Loss on extinguishment of debt	-	-	58	-
Interest, net	<u>54</u>	<u>12</u>	<u>125</u>	<u>37</u>
Income (loss) before income taxes	121	209	(1,179)	782
Income taxes	<u>26</u>	<u>69</u>	<u>(280)</u>	<u>247</u>
Net income (loss)	<u>\$ 95</u>	<u>\$ 140</u>	<u>\$ (899)</u>	<u>\$ 535</u>
Weighted-average number of shares - basic	374	375	373	377
Weighted-average number of shares - diluted	380	376	373	379
Earnings (loss) per share - basic	\$ 0.25	\$ 0.37	\$ (2.41)	\$ 1.42
Earnings (loss) per share - diluted	\$ 0.25	\$ 0.37	\$ (2.41)	\$ 1.41

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

(\$ in millions)	39 Weeks Ended	
	October 31, 2020 (a)	November 2, 2019 (a)
Cash flows from operating activities:		
Net income (loss)	\$ (899)	\$ 535
Depreciation and amortization	381	417
Impairment of operating lease assets	361	1
Impairment of store assets	127	9
Loss on extinguishment of debt	58	-
Gain on sale of building	-	(191)
Change in merchandise inventory	(590)	(559)
Change in accounts payable	1,120	129
Other, net	(159)	187
Net cash provided by operating activities	399	528
Cash flows from investing activities:		
Purchases of property and equipment	(288)	(523)
Purchase of building	-	(343)
Proceeds from sale of building	-	220
Purchases of short-term investments	(237)	(235)
Proceeds from sales and maturities of short-term investments	348	231
Purchase of Janie and Jack	-	(69)
Other	2	-
Net cash used for investing activities	(175)	(719)
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	16	22
Withholding tax payments related to vesting of stock units	(8)	(21)
Repurchases of common stock	-	(150)
Cash dividends paid	-	(274)
Net cash provided by (used for) financing activities	890	(423)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	4	-
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,118	(614)
Cash, cash equivalents, and restricted cash at beginning of period	1,381	1,420
Cash, cash equivalents, and restricted cash at end of period	\$ 2,499	\$ 806

(a) For the thirty-nine weeks ended October 31, 2020 and November 2, 2019, total cash, cash equivalents, and restricted cash includes \$28 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)	39 Weeks Ended	
	October 31, 2020	November 2, 2019
Net cash provided by operating activities	\$ 399	\$ 528
Less: Purchases of property and equipment (a)	(288)	(523)
Free cash flow	<u>\$ 111</u>	<u>\$ 5</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 third quarter net sales (unaudited):

(\$ in millions)

13 Weeks Ended October 31, 2020	Old Navy		Banana		Total
	Global	Gap Global	Republic Global	Other (3)	
U.S. (1)	\$ 2,034	\$ 611	\$ 323	\$ 370	\$ 3,338
Canada	193	86	39	3	321
Europe	-	115	3	-	118
Asia	1	169	18	-	188
Other regions	14	12	3	-	29
Total	\$ 2,242	\$ 993	\$ 386	\$ 373	\$ 3,994

(\$ in millions)

13 Weeks Ended November 2, 2019	Old Navy		Banana		Total
	Global	Gap Global	Republic Global (2)	Other (4)	
U.S. (1)	\$ 1,769	\$ 689	\$ 532	\$ 274	\$ 3,264
Canada	151	97	55	1	304
Europe	-	128	3	-	131
Asia	9	220	21	-	250
Other regions	18	24	7	-	49
Total	\$ 1,947	\$ 1,158	\$ 618	\$ 275	\$ 3,998

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

(2) Banana Republic Global fiscal year 2019 net sales include the 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 October 31, 2020 were \$292 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 November 2, 2019 were \$216 million.

The Gap, Inc.
REAL ESTATE

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

	February 1, 2020	39 Weeks Ended October 31, 2020		October 31, 2020	
	Store Locations	Store Locations Opened	Store Locations Closed (1)	Store Locations	Square Feet (millions)
Old Navy North America	1,207	30	12	1,225	19.7
Old Navy Asia	17	-	17	-	-
Gap North America	675	1	92	584	6.2
Gap Asia	358	11	19	350	3.1
Gap Europe	137	4	19	122	1.0
Banana Republic North America	541	3	55	489	4.1
Banana Republic Asia	48	5	5	48	0.2
Athleta North America	190	10	2	198	0.8
Intermix North America	33	-	1	32	0.1
Janie and Jack North America	139	-	9	130	0.3
Company-operated stores total	3,345	64	231	3,178	35.5
Franchise	574	50	17	607	N/A
Total	3,919	114	248	3,785	35.5

(1) Represents stores that have been permanently closed, not stores temporarily closed as a result of COVID-19.