

**The Gap, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**UNAUDITED**

(\$ in millions)	<u>October 29, 2022</u>	<u>October 30, 2021</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 679	\$ 801
Short-term investments	-	275
Merchandise inventory	3,043	2,721
Other current assets	1,316	1,410
Total current assets	<u>5,038</u>	<u>5,207</u>
Property and equipment, net	2,788	2,924
Operating lease assets	3,341	3,788
Other long-term assets	833	861
Total assets	<u>\$ 12,000</u>	<u>\$ 12,780</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,388	\$ 1,630
Accrued expenses and other current liabilities	1,245	1,414
Current portion of operating lease liabilities	691	746
Income taxes payable	57	33
Total current liabilities	<u>3,381</u>	<u>3,823</u>
Long-term liabilities:		
Revolving credit facility	350	-
Long-term debt	1,486	1,484
Long-term operating lease liabilities	3,673	4,163
Other long-term liabilities	539	523
Total long-term liabilities	<u>6,048</u>	<u>6,170</u>
Total stockholders' equity	<u>2,571</u>	<u>2,787</u>
Total liabilities and stockholders' equity	<u>\$ 12,000</u>	<u>\$ 12,780</u>

The Gap, Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
UNAUDITED**

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
(\$ and shares in millions except per share amounts)				
Net sales	\$ 4,039	\$ 3,943	\$ 11,373	\$ 12,145
Cost of goods sold and occupancy expenses	2,530	2,282	7,438	7,031
Gross profit	1,509	1,661	3,935	5,114
Operating expenses	1,323	1,508	3,974	4,312
Operating income (loss)	186	153	(39)	802
Loss on extinguishment of debt	-	325	-	325
Interest expense	22	44	63	149
Interest income	(4)	(1)	(6)	(3)
Income (loss) before income taxes	168	(215)	(96)	331
Income taxes	(114)	(63)	(167)	59
Net income (loss)	\$ 282	\$ (152)	\$ 71	\$ 272
Weighted-average number of shares - basic	365	376	367	377
Weighted-average number of shares - diluted	366	376	370	385
Earnings (loss) per share - basic	\$ 0.77	\$ (0.40)	\$ 0.19	\$ 0.72
Earnings (loss) per share - diluted	\$ 0.77	\$ (0.40)	\$ 0.19	\$ 0.71

The Gap, Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
UNAUDITED**

(\$ in millions)	39 Weeks Ended	
	October 29, 2022 (a)	October 30, 2021 (a)
Cash flows from operating activities:		
Net income	\$ 71	\$ 272
Depreciation and amortization	402	372
Loss on extinguishment of debt	-	325
Loss on divestiture activity	35	59
Gain on sale of building	(83)	-
Change in merchandise inventory	(78)	(288)
Change in accounts payable	(503)	(119)
Change in accrued expenses and other current liabilities	(123)	239
Change in income taxes payable, net of receivables and other tax-related items	216	(94)
Other, net	(49)	(84)
Net cash provided by (used for) operating activities	(112)	682
Cash flows from investing activities:		
Purchases of property and equipment	(577)	(486)
Net proceeds from sale of buildings	458	-
Purchases of short-term investments	-	(634)
Proceeds from sales and maturities of short-term investments	-	768
Payments for acquisition activity, net of cash acquired	-	(135)
Net cash paid for divestiture activity	-	(21)
Net cash used for investing activities	(119)	(508)
Cash flows from financing activities:		
Proceeds from revolving credit facility	350	-
Proceeds from issuance of long-term debt	-	1,500
Payments to extinguish debt	-	(2,546)
Payments for debt issuance costs	(6)	(16)
Proceeds from issuances under share-based compensation plans	23	48
Withholding tax payments related to vesting of stock units	(17)	(34)
Repurchases of common stock	(123)	(128)
Cash dividends paid	(166)	(182)
Other	(1)	-
Net cash provided by (used for) financing activities	60	(1,358)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(25)	(3)
Net decrease in cash, cash equivalents, and restricted cash	(196)	(1,187)
Cash, cash equivalents, and restricted cash at beginning of period	902	2,016
Cash, cash equivalents, and restricted cash at end of period	\$ 706	\$ 829

(a) For the thirty-nine weeks ended October 29, 2022 and October 30, 2021, total cash, cash equivalents, and restricted cash includes \$27 million and \$28 million, respectively, of restricted cash recorded primarily in 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. We require regular capital expenditures including technology improvements to automate processes, engage with customers, and optimize our supply chain in addition to building and maintaining stores. 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.

	<b>39 Weeks Ended</b>	
<b>(\$ in millions)</b>	<b>October 29, 2022</b>	<b>October 30, 2021</b>
Net cash provided by (used for) operating activities	\$ (112)	\$ 682
Less: Purchases of property and equipment	(577)	(486)
Free cash flow	<u>\$ (689)</u>	<u>\$ 196</u>

**The Gap, Inc.**  
**NON-GAAP FINANCIAL MEASURES**  
**UNAUDITED**

**ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE THIRD QUARTER OF FISCAL YEAR 2022**

The following adjusted statement of operations metrics are non-GAAP financial measures. These measures are provided to enhance visibility into the Company's underlying results for the period excluding the impact of impairment related to the Yeezy Gap business and a gain on sale of building. Management believes that excluding certain items from statement of operations metrics that are not part of the Company's core operations provides additional information to investors to facilitate the comparison of results against past and future years. However, these non-GAAP financial measures are not intended to supersede or replace the GAAP measures.

(\$ in millions)									
13 Weeks Ended October 29, 2022	Gross Profit	Gross Margin	Operating Expenses	Operating Expenses as a % of Net Sales (c)	Operating Income	Operating Margin (c)	Income Taxes	Net Income	Earnings per Share - Diluted
GAAP metrics, as reported	\$ 1,509	37.4%	\$ 1,323	32.8%	\$ 186	4.6%	\$ (114)	\$ 282	\$ 0.77
Adjustments for:									
Yeezy Gap impairment charges (a)	53	1.3%	-	-%	53	1.3%	9	44	0.12
Gain on sale of building (b)	-	-%	83	2.1%	(83)	(2.1)%	(17)	(66)	(0.18)
Non-GAAP metrics	<u>\$ 1,562</u>	<u>38.7%</u>	<u>\$ 1,406</u>	<u>34.8%</u>	<u>\$ 156</u>	<u>3.9%</u>	<u>\$ (122)</u>	<u>\$ 260</u>	<u>\$ 0.71</u>

(a) Represents the impairment charges as a result of the decision to discontinue the Yeezy Gap business, primarily related to inventory.

(b) Represents the impact of a gain on sale of our distribution center located in the United Kingdom.

(c) Metrics were computed individually for each line item; therefore, the sum of the individual lines may not equal the total.

**The Gap, Inc.**  
**NON-GAAP FINANCIAL MEASURES**  
**UNAUDITED**

**ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE THIRD QUARTER OF FISCAL YEAR 2021**

The following adjusted statement of operations metrics are non-GAAP financial measures. These measures are provided to enhance visibility into the Company's underlying results for the period excluding the impacts of strategic changes related to our operating model in Europe and the loss on extinguishment of debt. Management believes that excluding certain items from statement of operations metrics that are not part of the Company's core operations provides additional information to investors to facilitate the comparison of results against past and future years. However, these non-GAAP financial measures are not intended to supersede or replace the GAAP measures.

(\$ in millions)	Gross Profit	Gross Margin	Operating Expenses	Operating Expenses as a % of Net Sales (b)	Operating Income	Operating Margin	Loss on Extinguishment of Debt	Income Taxes	Net Income (Loss)	Earnings (Loss) per Share - Diluted (b)
<b>13 Weeks Ended October 30, 2021</b>										
GAAP metrics, as reported	\$ 1,661	42.1%	\$ 1,508	38.2%	\$ 153	3.9%	\$ 325	\$ (63)	\$ (152)	\$ (0.40)
Adjustments for:										
Strategic actions in Europe (a)	(9)	(0.2)%	(26)	(0.7)%	17	0.4%	-	5	12	0.03
Loss on extinguishment of debt	-	-%	-	-%	-	-%	(325)	83	242	0.63
Non-GAAP metrics	<u>\$ 1,652</u>	<u>41.9%</u>	<u>\$ 1,482</u>	<u>37.6%</u>	<u>\$ 170</u>	<u>4.3%</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 102</u>	<u>\$ 0.27</u>

(a) Represents the net impacts from the strategic review of our European operating model which resulted in the closure of stores in the United Kingdom, and Ireland, as well as the sale of our stores in France to a third party partner. These impacts primarily include employee-related and lease-related costs.

(b) Metrics were computed individually for each line item; therefore, the sum of the individual lines may not equal the total.

**The Gap, Inc.**  
**NET SALES RESULTS**  
**UNAUDITED**

The following table details the Company's third quarter fiscal year 2022 and 2021 net sales (unaudited):

(\$ in millions)

13 Weeks Ended October 29, 2022	Old Navy		Banana		Other (2)	Total
	Global	Gap Global	Republic Global	Athleta Global		
U.S. (1)	\$ 1,936	\$ 690	\$ 448	\$ 326	\$ 4	\$ 3,404
Canada	184	95	47	7	-	333
Europe	1	58	1	1	-	61
Asia	-	143	14	-	-	157
Other regions	16	55	7	6	-	84
<b>Total</b>	<b>\$ 2,137</b>	<b>\$ 1,041</b>	<b>\$ 517</b>	<b>\$ 340</b>	<b>\$ 4</b>	<b>\$ 4,039</b>

(\$ in millions)

13 Weeks Ended October 30, 2021	Old Navy		Banana		Other	Total
	Global	Gap Global	Republic Global	Athleta Global		
U.S. (1)	\$ 1,899	\$ 676	\$ 410	\$ 317	\$ -	\$ 3,302
Canada	185	102	47	3	-	337
Europe	1	89	2	-	-	92
Asia	-	141	14	-	-	155
Other regions	20	31	6	-	-	57
<b>Total</b>	<b>\$ 2,105</b>	<b>\$ 1,039</b>	<b>\$ 479</b>	<b>\$ 320</b>	<b>\$ -</b>	<b>\$ 3,943</b>

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

(2) Primarily consists of net sales from revenue generating strategic initiatives.

**The Gap, Inc.**  
**REAL ESTATE**

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

	January 29, 2022	39 Weeks Ended October 29, 2022		October 29, 2022	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America (1)	1,252	25	6	1,247	20.0
Gap North America	520	2	18	504	5.4
Gap Asia	329	4	74	259	2.2
Gap Europe (2)	11	-	-	-	-
Banana Republic North America	446	2	15	433	3.6
Banana Republic Asia	50	2	3	49	0.2
Athleta North America	227	29	5	251	1.0
Company-operated stores total	2,835	64	121	2,743	32.4
Franchise (1) (2)	564	77	39	637	N/A
Total	3,399	141	160	3,380	32.4

(1) The 24 Old Navy Mexico stores that were transitioned to Grupo Axo during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Old Navy North America excludes these stores and the ending balance for Franchise includes these stores.

(2) The 11 Gap Italy stores that were transitioned to OVS S.p.A. during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Gap Europe excludes these stores and the ending balance for Franchise includes these stores.