

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	October 30, 2021	October 31, 2020	November 2, 2019 (a)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 801	\$ 2,471	\$ 788
Short-term investments	275	178	294
Merchandise inventory	2,721	2,747	2,720
Other current assets	1,410	966	770
Total current assets	<u>5,207</u>	<u>6,362</u>	<u>4,572</u>
Property and equipment, net	2,924	2,846	3,225
Operating lease assets	3,788	4,460	5,796
Other long-term assets	861	705	525
Total assets	<u>\$ 12,780</u>	<u>\$ 14,373</u>	<u>\$ 14,118</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 1,630	\$ 2,284	\$ 1,241
Accrued expenses and other current liabilities	1,414	1,283	974
Current portion of operating lease liabilities	746	823	934
Income taxes payable	33	41	43
Total current liabilities	<u>3,823</u>	<u>4,431</u>	<u>3,192</u>
Long-term liabilities:			
Long-term debt	1,484	2,214	1,249
Long-term operating lease liabilities	4,163	4,899	5,650
Other long-term liabilities	523	458	393
Total long-term liabilities	<u>6,170</u>	<u>7,571</u>	<u>7,292</u>
Total stockholders' equity	<u>2,787</u>	<u>2,371</u>	<u>3,634</u>
Total liabilities and stockholders' equity	<u>\$ 12,780</u>	<u>\$ 14,373</u>	<u>\$ 14,118</u>

(a) Third quarter of fiscal 2019 information provided for comparability.

The Gap, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

(\$ and shares in millions except per share amounts)	13 Weeks Ended			39 Weeks Ended		
	October 30, 2021	October 31, 2020	November 2, 2019 (a)	October 30, 2021	October 31, 2020	November 2, 2019 (a)
Net sales	\$ 3,943	\$ 3,994	\$ 3,998	\$ 12,145	\$ 9,376	\$ 11,709
Cost of goods sold and occupancy expenses	2,282	2,374	2,439	7,031	6,339	7,250
Gross profit	1,661	1,620	1,559	5,114	3,037	4,459
Operating expenses	1,508	1,445	1,338	4,312	4,033	3,640
Operating income (loss)	153	175	221	802	(996)	819
Loss on extinguishment of debt	325	-	-	325	58	-
Interest, net	43	54	12	146	125	37
Income (loss) before income taxes	(215)	121	209	331	(1,179)	782
Income taxes	(63)	26	69	59	(280)	247
Net income (loss)	\$ (152)	\$ 95	\$ 140	\$ 272	\$ (899)	\$ 535
Weighted-average number of shares - basic	376	374	375	377	373	377
Weighted-average number of shares - diluted	376	380	376	385	373	379
Earnings (loss) per share - basic	\$ (0.40)	\$ 0.25	\$ 0.37	\$ 0.72	\$ (2.41)	\$ 1.42
Earnings (loss) per share - diluted	\$ (0.40)	\$ 0.25	\$ 0.37	\$ 0.71	\$ (2.41)	\$ 1.41

(a) Third quarter of fiscal 2019 quarter-to-date and year-to-date information provided for comparability.

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

(\$ in millions)	39 Weeks Ended	
	October 30, 2021 (a)	October 31, 2020 (a)
Cash flows from operating activities:		
Net income (loss)	\$ 272	\$ (899)
Depreciation and amortization	372	381
Impairment of operating lease assets	6	361
Impairment of store assets	1	127
Loss on extinguishment of debt	325	58
Loss on divestiture activity	59	-
Change in merchandise inventory	(288)	(590)
Change in accounts payable	(119)	1,120
Other, net	54	(159)
Net cash provided by operating activities	<u>682</u>	<u>399</u>
Cash flows from investing activities:		
Purchases of property and equipment	(486)	(288)
Purchases of short-term investments	(634)	(237)
Proceeds from sales and maturities of short-term investments	768	348
Net cash paid for divestiture activity	(21)	-
Payments for acquisition activity, net of cash acquired	(135)	-
Other	-	2
Net cash used for investing activities	<u>(508)</u>	<u>(175)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	500
Payments for revolving credit facility	-	(500)
Proceeds from issuance of long-term debt	1,500	2,250
Payments to extinguish debt	(2,546)	(1,307)
Payments for debt issuance costs	(16)	(61)
Proceeds from issuances under share-based compensation plans	48	16
Withholding tax payments related to vesting of stock units	(34)	(8)
Repurchases of common stock	(128)	-
Cash dividends paid	(182)	-
Net cash provided by (used for) financing activities	<u>(1,358)</u>	<u>890</u>
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(3)	4
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,187)	1,118
Cash, cash equivalents, and restricted cash at beginning of period	2,016	1,381
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 829</u>	<u>\$ 2,499</u>

(a) For the thirty-nine weeks ended October 30, 2021 and October 31, 2020, total cash, cash equivalents, and restricted cash includes \$28 million 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. 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.

(\$ in millions)	39 Weeks Ended	
	October 30, 2021	October 31, 2020
Net cash provided by operating activities	\$ 682	\$ 399
Less: Purchases of property and equipment	(486)	(288)
Free cash flow	<u>\$ 196</u>	<u>\$ 111</u>

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
13 Weeks Ended October 30, 2021										
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) Operating expenses as a percent of net sales was 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 2019

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 separation-related costs and specialty fleet restructuring costs. 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)				Operating Expenses as a % of Net Sales	Operating Income	Operating Income as a % of Net Sales	Income Taxes	Net Income	Earnings per Share - Diluted
13 Weeks Ended November 2, 2019	Gross Profit	Gross Margin	Operating Expenses						
GAAP metrics, as reported	\$1,559	39.0%	\$1,338	33.5%	\$221	5.5%	\$69	\$140	\$0.37
Adjustments for:									
Separation-related costs (a)	-	-%	(70)	(1.8)%	70	1.8%	19	51	0.14
Specialty fleet restructuring costs (b)	1	-%	(7)	(0.2)%	8	0.2%	-	8	0.02
Non-GAAP metrics	<u>\$1,560</u>	<u>39.0%</u>	<u>\$1,261</u>	<u>31.5%</u>	<u>\$299</u>	<u>7.5%</u>	<u>\$88</u>	<u>\$199</u>	<u>\$0.53</u>

(a) Represents the impact of costs related to the Old Navy spin-off transaction that was subsequently cancelled. Separation-related amounts primarily consist of costs associated with information technology and fees for consulting and advisory services.

(b) Represents the impact of costs related to previously announced plans to restructure the specialty fleet and revitalize the Gap brand. These costs primarily include lease and employee-related costs.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

EXPECTED ADJUSTED EARNINGS PER SHARE FOR FISCAL YEAR 2021

Expected adjusted diluted earnings per share is a non-GAAP financial measure. Expected adjusted diluted earnings per share for fiscal year 2021 is provided to enhance visibility into the Company's expected underlying results for the period excluding the expected impact of strategic changes to the operating model in Europe, the loss on divestiture activity for the Janie and Jack and Intermix brands, and the loss on extinguishment of debt. This non-GAAP financial measure is not intended to supersede or replace the GAAP measure.

	52 Weeks Ending January 29, 2022	
	Low End	High End
Expected earnings per share - diluted	\$ 0.45	\$ 0.60
Add: Estimated impact of loss on extinguishment of debt (a)	0.64	0.64
Add: Estimated impact of strategic actions and divestiture activity (b)	0.22	0.22
Less: Estimated incremental tax benefit (c)	(0.06)	(0.06)
Expected adjusted earnings per share - diluted	<u>\$ 1.25</u>	<u>\$ 1.40</u>

(a) Represents the earnings per share impact of the loss on extinguishment of debt, calculated net of tax at the adjusted effective tax rate. There was no incremental tax impact as a result of our loss on extinguishment of debt.

(b) Represents the earnings per share impact, calculated net of tax at the adjusted effective tax rate, of estimated net costs related to strategic changes to our operating model in Europe and the loss on divestiture activity for the Janie and Jack and Intermix brands. Net costs related to Europe primarily include employee-related and lease-related costs.

(c) Represents the incremental tax benefit related to divestiture activity.

The Gap, Inc.
NET SALES RESULTS
UNAUDITED

The following table details the Company's third quarter net sales for the fiscal years 2021, 2020, and 2019 (unaudited):

(\$ in millions)

13 Weeks Ended October 30, 2021	Old Navy		Banana		Athleta (2)	Other	Total
	Global	Gap Global	Republic 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
Total	\$ 2,105	\$ 1,039	\$ 479		\$ 320	\$ -	\$ 3,943

(\$ in millions)

13 Weeks Ended October 31, 2020	Old Navy		Banana		Athleta (2)	Other (3)	Total
	Global	Gap Global	Republic Global				
U.S. (1)	\$ 2,034	\$ 611	\$ 323		\$ 292	\$ 78	\$ 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		\$ 292	\$ 81	\$ 3,994

(\$ in millions)

13 Weeks Ended November 2, 2019	Old Navy		Banana		Athleta (2)	Other (5)	Total
	Global	Gap Global	Republic Global	(4)			
U.S. (1)	\$ 1,769	\$ 689	\$ 532		\$ 216	\$ 58	\$ 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		\$ 216	\$ 59	\$ 3,998

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

(2) Previously, net sales for the Athleta brand were grouped within the "Other" column. Beginning in fiscal 2021, we have made a change for all periods presented to break out Athleta net sales into its own column.

(3) The "Other" column primarily consists of net sales for the Intermix, Janie and Jack, and Hill City brands. The divestiture of Janie and Jack was completed on April 8, 2021. The divestiture of Intermix was completed on May 21, 2021. Hill City brand was closed in January 2021.

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

(5) Primarily consists of net sales for the Intermix and Hill City brands as well as a portion of income related to our credit card agreement.

The Gap, Inc.
REAL ESTATE

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

	January 30, 2021	39 Weeks Ended October 30, 2021		October 30, 2021	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,220	42	5	1,257	20.1
Gap North America	556	1	19	538	5.7
Gap Asia	340	11	16	335	2.8
Gap Europe (2)	117	1	86	11	0.1
Banana Republic North America	471	2	12	461	3.9
Banana Republic Asia	47	6	2	51	0.2
Athleta North America	199	22	1	220	0.9
Intermix North America (1)	31	-	-	-	-
Janie and Jack North America (1)	119	-	-	-	-
Company-operated stores total	3,100	85	141	2,873	33.7
Franchise (2)	615	58	108	586	N/A
Total	3,715	143	249	3,459	33.7

(1) On April 8, 2021, the Company completed the divestiture of the Janie and Jack brand. The 119 stores divested are not included as store closures or in the ending balance for fiscal 2021. On May 21, 2021, the Company completed the divestiture of the Intermix business. The 31 stores divested are not included as store closures or in the ending balance for fiscal 2021.

(2) The 21 Gap France stores that were transitioned to Hermione People & Brands 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.