

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	January 30, 2021	February 1, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,988	\$ 1,364
Short-term investments	410	290
Merchandise inventory	2,451	2,156
Other current assets	1,159	706
Total current assets	6,008	4,516
Property and equipment, net	2,841	3,122
Operating lease assets	4,217	5,402
Other long-term assets	703	639
Total assets	\$ 13,769	\$ 13,679
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,743	\$ 1,174
Accrued expenses and other current liabilities	1,276	1,067
Current portion of operating lease liabilities	831	920
Income taxes payable	34	48
Total current liabilities	3,884	3,209
Long-term liabilities:		
Long-term debt	2,216	1,249
Long-term operating lease liabilities	4,617	5,508
Other long-term liabilities	438	397
Total long-term liabilities	7,271	7,154
Total stockholders' equity	2,614	3,316
Total liabilities and stockholders' equity	\$ 13,769	\$ 13,679

The Gap, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	13 Weeks Ended		52 Weeks Ended	
	January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020
(\$ and shares in millions except per share amounts)				
Net sales	\$ 4,424	\$ 4,674	\$ 13,800	\$ 16,383
Cost of goods sold and occupancy expenses	2,756	3,000	9,095	10,250
Gross profit	1,668	1,674	4,705	6,133
Operating expenses	1,534	1,919	5,567	5,559
Operating income (loss)	134	(245)	(862)	574
Loss on extinguishment of debt	-	-	58	-
Interest, net	57	9	182	46
Income (loss) before income taxes	77	(254)	(1,102)	528
Income taxes	(157)	(70)	(437)	177
Net income (loss)	\$ 234	\$ (184)	\$ (665)	\$ 351
Weighted-average number of shares - basic	375	373	374	376
Weighted-average number of shares - diluted	382	373	374	378
Earnings (loss) per share - basic	\$ 0.62	\$ (0.49)	\$ (1.78)	\$ 0.93
Earnings (loss) per share - diluted	\$ 0.61	\$ (0.49)	\$ (1.78)	\$ 0.93

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

(\$ in millions)	52 Weeks Ended	
	January 30, 2021 (a)	February 1, 2020 (a)
Cash flows from operating activities:		
Net income (loss)	\$ (665)	\$ 351
Depreciation and amortization	507	557
Impairment of operating lease assets	391	239
Impairment of store assets	135	98
Loss on extinguishment of debt	58	-
Gain on sale of building	-	(191)
Change in merchandise inventory	(305)	4
Change in accounts payable	564	66
Change in income taxes payable, net of receivables and other tax-related items	(304)	86
Other, net	(144)	201
Net cash provided by operating activities	237	1,411
Cash flows from investing activities:		
Purchases of property and equipment	(392)	(702)
Purchase of building	-	(343)
Proceeds from sale of building	-	220
Purchases of short-term investments	(508)	(293)
Proceeds from sales and maturities of short-term investments	388	293
Purchase of Janie and Jack	-	(69)
Other	2	-
Net cash used for investing activities	(510)	(894)
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	22	25
Withholding tax payments related to vesting of stock units	(9)	(21)
Repurchases of common stock	-	(200)
Cash dividends paid	-	(364)
Net cash provided by (used for) financing activities	895	(560)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	13	4
Net increase (decrease) in cash, cash equivalents, and restricted cash	635	(39)
Cash, cash equivalents, and restricted cash at beginning of period	1,381	1,420
Cash, cash equivalents, and restricted cash at end of period	\$ 2,016	\$ 1,381

(a) For the fifty-two weeks ended January 30, 2021 and February 1, 2020, total cash, cash equivalents, and restricted cash includes \$28 million and \$17 million, respectively, of restricted cash recorded in other current assets and other long-term assets on the 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. Additionally, we provided free cash flow excluding the impact of the first quarter of fiscal 2020 which was significantly impacted by the sales decline as a result of the COVID-19 pandemic. However, this non-GAAP financial measure is not intended to supersede or replace our GAAP results.

	<u>52 Weeks Ended</u> <u>January 30, 2021</u>	<u>13 Weeks Ended</u> <u>May 2, 2020</u>	<u>39 Weeks Ended</u> <u>January 30, 2021</u> <u>Derived (a)</u>
(\$ in millions)			
Net cash provided by (used for) operating activities	\$ 237	\$ (940)	\$ 1,177
Less: Purchases of property and equipment	(392)	(122)	(270)
Free cash flow	<u>\$ (155)</u>	<u>\$ (1,062)</u>	<u>\$ 907</u>
	<u>52 Weeks Ended</u> <u>February 1, 2020</u>		
(\$ in millions)			
Net cash provided by operating activities	\$ 1,411		
Less: Purchases of property and equipment (b)	(702)		
Free cash flow	<u>\$ 709</u>		

(a) The free cash flow for the thirty-nine weeks ended January 30, 2021 is derived from the reported cash flow statement for the fifty-two weeks ended January 30, 2021 less the reported cash flow for the thirteen weeks ended May 2, 2020.

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

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE FOURTH QUARTER OF FISCAL YEAR 2020 AND 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 impact of charges resulting from a strategic review of the Intermix business during fiscal 2020 and impacts of separation-related costs, specialty fleet restructuring costs, and flagship impairment charges during fiscal 2019. Management believes that excluding certain items from operating expenses and operating income that are not part of its 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 January 30, 2021	Operating Expenses	Operating Expenses as a % of Net Sales
Operating expenses, as reported	\$ 1,534	34.7%
Less: Non-cash impairment charges related to Intermix (a)	(56)	(1.3)%
Adjusted operating expenses	\$ 1,478	33.4%

(\$ in millions)

13 Weeks Ended January 30, 2021	Operating Income	Operating Income as a % of Net Sales
Operating income, as reported	\$ 134	3.0%
Add: Non-cash impairment charges related to Intermix (a)	56	1.3%
Adjusted operating income	\$ 190	4.3%

(\$ in millions)

13 Weeks Ended February 1, 2020	Operating Income (loss)
Operating income, as reported	\$ (245)
Add: Separation-related costs (b)	189
Add: Specialty fleet restructuring costs (c)	38
Add: Flagship impairment charges (d)	296
Adjusted operating income	\$ 278

(a) Represents trade name impairment of \$31 million as well as store asset and operating lease asset impairment of \$25 million.

(b) Represents the impact of costs related to preparing for the Old Navy spin-off transaction and subsequent cancellation of this transaction. Separation-related amounts primarily consist of costs associated with information technology and fees for consulting and advisory services.

(c) 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.

(d) Represents non-cash impairment charges related to global flagship stores. Flagship impairment charges related to operating lease assets and store assets were \$223 million and \$73 million, respectively.

The Gap, Inc.
NET SALES RESULTS
UNAUDITED

The following table details the Company's fourth quarter and fiscal year 2020 net sales (unaudited):

(\$ in millions)

13 Weeks Ended January 30, 2021	Old Navy		Banana		Total
	Global	Gap Global	Republic Global	Other (2)	
U.S. (1)	\$ 2,189	\$ 704	\$ 438	\$ 457	\$ 3,788
Canada	163	78	40	-	281
Europe	-	80	2	-	82
Asia	-	207	20	-	227
Other regions	23	19	4	-	46
Total	<u>\$ 2,375</u>	<u>\$ 1,088</u>	<u>\$ 504</u>	<u>\$ 457</u>	<u>\$ 4,424</u>

(\$ in millions)

13 Weeks Ended February 1, 2020	Old Navy		Banana		Total
	Global	Gap Global	Republic Global (3)	Other (4)	
U.S. (1)	\$ 2,055	\$ 781	\$ 642	\$ 334	\$ 3,812
Canada	160	98	60	-	318
Europe	-	145	4	-	149
Asia	15	289	26	-	330
Other regions	35	25	5	-	65
Total	<u>\$ 2,265</u>	<u>\$ 1,338</u>	<u>\$ 737</u>	<u>\$ 334</u>	<u>\$ 4,674</u>

(\$ in millions)

52 Weeks Ended January 30, 2021	Old Navy		Banana		Total
	Global	Gap Global	Republic Global	Other (2)	
U.S. (1)	\$ 6,898	\$ 2,099	\$ 1,242	\$ 1,411	\$ 11,650
Canada	578	261	130	3	972
Europe	-	319	10	-	329
Asia	4	642	64	-	710
Other regions	56	67	16	-	139
Total	<u>\$ 7,536</u>	<u>\$ 3,388</u>	<u>\$ 1,462</u>	<u>\$ 1,414</u>	<u>\$ 13,800</u>

(\$ in millions)

52 Weeks Ended February 1, 2020	Old Navy		Banana		Total
	Global	Gap Global	Republic Global (3)	Other (4)	
U.S. (1)	\$ 7,259	\$ 2,723	\$ 2,191	\$ 1,225	\$ 13,398
Canada	587	349	215	2	1,153
Europe	-	525	14	-	539
Asia	45	943	96	-	1,084
Other regions	92	94	23	-	209
Total	<u>\$ 7,983</u>	<u>\$ 4,634</u>	<u>\$ 2,539</u>	<u>\$ 1,227</u>	<u>\$ 16,383</u>

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

(2) 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 and fifty-two weeks ended January 30, 2021 were \$371 million and \$1,135 million, respectively.

(3) Beginning on March 4, 2019, Banana Republic Global includes net sales for the Janie and Jack brand.

(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 and fifty-two weeks ended February 1, 2020 were \$288 million and \$978 million, respectively.

The Gap, Inc.
REAL ESTATE

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

	February 1, 2020	52 Weeks Ended January 30, 2021		January 30, 2021	
	Store Locations	Store Locations Opened	Store Locations Closed (1)	Store Locations	Square Feet (millions)
Old Navy North America	1,207	32	19	1,220	19.6
Old Navy Asia	17	-	17	-	-
Gap North America	675	2	121	556	5.8
Gap Asia	358	16	34	340	2.9
Gap Europe	137	4	24	117	1.0
Banana Republic North America	541	3	73	471	4.0
Banana Republic Asia	48	5	6	47	0.2
Athleta North America	190	11	2	199	0.8
Intermix North America	33	-	2	31	0.1
Janie and Jack North America	139	-	20	119	0.2
Company-operated stores total	3,345	73	318	3,100	34.6
Franchise	574	67	26	615	N/A
Total	3,919	140	344	3,715	34.6

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