

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

(\$ in millions)	February 1, 2020	February 2, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,364	\$ 1,081
Short-term investments	290	288
Merchandise inventory	2,156	2,131
Other current assets	706	751
Total current assets	4,516	4,251
Property and equipment, net	3,122	2,912
Operating lease assets	5,402	-
Other long-term assets	639	886
Total assets	\$ 13,679	\$ 8,049
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,174	\$ 1,126
Accrued expenses and other current liabilities	1,067	1,024
Current portion of operating lease liabilities	920	-
Income taxes payable	48	24
Total current liabilities	3,209	2,174
Long-term liabilities:		
Long-term debt	1,249	1,249
Long-term operating lease liabilities	5,508	-
Lease incentives and other long-term liabilities (a)	397	1,073
Total long-term liabilities	7,154	2,322
Total stockholders' equity	3,316	3,553
Total liabilities and stockholders' equity	\$ 13,679	\$ 8,049

(a) Beginning in fiscal 2019, lease incentives and other long-term liabilities no longer reflects lease incentives due to the adoption of the new lease accounting standard.

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

	13 Weeks Ended		52 Weeks Ended	
	February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019
(\$ and shares in millions except per share amounts)				
Net sales	\$ 4,674	\$ 4,623	\$ 16,383	\$ 16,580
Cost of goods sold and occupancy expenses	3,000	2,978	10,250	10,258
Gross profit	1,674	1,645	6,133	6,322
Operating expenses	1,919	1,273	5,559	4,960
Operating income (loss)	(245)	372	574	1,362
Interest, net	9	7	46	40
Income (loss) before income taxes	(254)	365	528	1,322
Income taxes	(70)	89	177	319
Net income (loss)	<u>\$ (184)</u>	<u>\$ 276</u>	<u>\$ 351</u>	<u>\$ 1,003</u>
Weighted-average number of shares - basic	373	381	376	385
Weighted-average number of shares - diluted	373	383	378	388
Earnings (loss) per share - basic	\$ (0.49)	\$ 0.72	\$ 0.93	\$ 2.61
Earnings (loss) per share - diluted	\$ (0.49)	\$ 0.72	\$ 0.93	\$ 2.59
Cash dividends declared and paid per share	\$ 0.2425	\$ 0.2425	\$ 0.97	\$ 0.97

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

(\$ in millions)	52 Weeks Ended	
	February 1, 2020 (b)	February 2, 2019 (b)
Cash flows from operating activities:		
Net income	\$ 351	\$ 1,003
Depreciation and amortization (a)	557	517
Impairment of operating lease assets	239	-
Impairment of store assets	98	14
Gain on sale of building	(191)	-
Change in merchandise inventory	4	(154)
Other, net	353	1
Net cash provided by operating activities	1,411	1,381
Cash flows from investing activities:		
Purchases of property and equipment	(702)	(705)
Purchase of building	(343)	-
Purchases of short-term investments	(293)	(464)
Proceeds from sales and maturities of short-term investments	293	177
Proceeds from sale of building	220	-
Purchase of Janie and Jack	(69)	-
Other	-	(9)
Net cash used for investing activities	(894)	(1,001)
Cash flows from financing activities:		
Proceeds from issuances under share-based compensation plans	25	46
Withholding tax payments related to vesting of stock units	(21)	(23)
Repurchases of common stock	(200)	(398)
Cash dividends paid	(364)	(373)
Other	-	(1)
Net cash used for financing activities	(560)	(749)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	4	(10)
Net decrease in cash, cash equivalents, and restricted cash	(39)	(379)
Cash, cash equivalents, and restricted cash at beginning of period	1,420	1,799
Cash, cash equivalents, and restricted cash at end of period	\$ 1,381	\$ 1,420

(a) Fiscal 2018 depreciation and amortization is net of amortization of lease incentives. Beginning in fiscal 2019, amortization of lease incentives is no longer reflected due to the adoption of the new lease accounting standard.

(b) For the fifty-two weeks ended February 1, 2020 and February 2, 2019, total cash, cash equivalents, and restricted cash includes \$17 million and \$339 million, respectively, of restricted cash recorded in other current assets and other long-term assets on the Consolidated Balance Sheets. Fiscal 2018 includes \$320 million of consideration held by a third party in connection with the purchase of a building that was completed in fiscal 2019.

**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)	52 Weeks Ended	
	February 1, 2020	February 2, 2019
Net cash provided by operating activities	\$ 1,411	\$ 1,381
Less: Purchases of property and equipment (a)	(702)	(705)
Free cash flow	<u>\$ 709</u>	<u>\$ 676</u>

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

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

**ADJUSTED INCOME STATEMENT METRICS FOR THE FOURTH QUARTER AND FISCAL YEAR 2019**

The following adjusted income statement 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, specialty fleet restructuring costs, flagship impairment charges, a gain on sale of building, and the impact of an adjustment to our fiscal 2017 tax liability for additional guidance issued by the U.S. Treasury Department regarding the TCJA. Management believes the adjusted metrics are useful for the assessment of ongoing operations as we believe the adjusted items are not part of our ongoing operations due to the nature of the adjustments, and management believes that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of results against prior years. However, these non-GAAP financial measures are not intended to supersede or replace the GAAP measures.

(\$ in millions)				Operating	Operating	Operating	Income	Net	Earnings
	Gross Profit	Gross	Operating	Expenses as a %	Income	Income (loss) as	Taxes	Income	(loss) per
		Margin (e)	Expenses	of Net Sales (e)	(loss)	a % of Net Sales		(loss)	Share -
<b>13 Weeks Ended February 1, 2020</b>									<b>Diluted</b>
GAAP metrics, as reported	\$ 1,674	35.8%	\$ 1,919	41.1%	\$ (245)	(5.2)%	\$ (70)	\$ (184)	\$ (0.49)
Adjustments for:									
Separation-related costs (a)	1	0.0%	(188)	(4.0)%	189	4.0%	48	141	0.38
Specialty fleet restructuring costs (b)	21	0.4%	(17)	(0.4)%	38	0.8%	-	38	0.10
Flagship impairment charges (c)	-	0.0%	(296)	(6.3)%	296	6.3%	74	222	0.59
Non-GAAP metrics	<u>\$ 1,696</u>	<u>36.3%</u>	<u>\$ 1,418</u>	<u>30.3%</u>	<u>\$ 278</u>	<u>5.9%</u>	<u>\$ 52</u>	<u>\$ 217</u>	<u>\$ 0.58</u>
<b>52 Weeks Ended February 1, 2020</b>									<b>Earnings per</b>
GAAP metrics, as reported	\$ 6,133	37.4%	\$ 5,559	33.9%	\$ 574	3.5%	\$ 177	\$ 351	\$ 0.93
Adjustments for:									
Separation-related costs (a)	1	0.0%	(300)	(1.8)%	301	1.8%	77	224	0.59
Specialty fleet restructuring costs (b)	22	0.1%	(39)	(0.2)%	61	0.4%	3	58	0.15
Flagship impairment charges (c)	-	0.0%	(296)	(1.8)%	296	1.8%	74	222	0.59
Gain on sale of building	-	0.0%	191	1.2%	(191)	(1.2)%	(50)	(141)	(0.37)
U.S. Federal tax reform adjustment (d)	-	0.0%	-	(0.0)%	-	0.0%	(30)	30	0.08
Non-GAAP metrics	<u>\$ 6,156</u>	<u>37.6%</u>	<u>\$ 5,115</u>	<u>31.2%</u>	<u>\$ 1,041</u>	<u>6.4%</u>	<u>\$ 251</u>	<u>\$ 744</u>	<u>\$ 1.97</u>

(a) 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.

(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.

(c) 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.

(d) Represents the impact of an adjustment to our fiscal 2017 tax liability for additional guidance issued by the U.S. Treasury Department regarding the TCJA.

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

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

**EXPECTED ADJUSTED EARNINGS PER SHARE FOR FISCAL YEAR 2020**

Expected adjusted diluted earnings per share is a non-GAAP financial measure. Expected adjusted diluted earnings per share for fiscal year 2020 is provided to enhance visibility into the Company's expected underlying results for the period excluding the estimated impact of specialty fleet restructuring costs and related tax. However, this non-GAAP financial measure is not intended to supersede or replace the GAAP measure.

	<b>52 Weeks Ending January 30, 2021</b>	
	<b>Low End</b>	<b>High End</b>
Expected earnings per share - diluted	\$ 1.23	\$ 1.35
Add: Estimated impact of specialty fleet restructuring costs (a)	0.50	0.50
Add: Estimated incremental tax on restructuring costs (b)	0.07	0.07
Expected adjusted earnings per share - diluted	<u>\$ 1.80</u>	<u>\$ 1.92</u>

(a) Represents the estimated earnings per share impact of estimated costs related to previously announced plans to restructure the specialty fleet and revitalize Gap brand, calculated net of tax at the expected adjusted effective tax rate.

(b) Represents certain non-cash tax impacts related to expected restructuring charges discussed above.

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

The following table details the Company's fourth quarter and fiscal year 2019 net sales (unaudited):

(\$ in millions)						
13 Weeks Ended February 1, 2020	Old Navy Global	Gap Global	Banana Republic Global (2)	Other (3)	Total	Percentage of Net Sales
U.S. (1)	\$ 2,055	\$ 781	\$ 642	\$ 334	\$ 3,812	82%
Canada	160	98	60	-	318	7%
Europe	-	145	4	-	149	3%
Asia	15	289	26	-	330	7%
Other regions	35	25	5	-	65	1%
Total	\$ 2,265	\$ 1,338	\$ 737	\$ 334	\$ 4,674	100%

  

(\$ in millions)						
13 Weeks Ended February 2, 2019	Old Navy Global	Gap Global	Banana Republic Global	Other (3)	Total	Percentage of Net Sales
U.S. (1)	\$ 1,959	\$ 844	\$ 592	\$ 331	\$ 3,726	80%
Canada	154	104	60	1	319	7%
Europe	-	164	3	-	167	4%
Asia	14	310	26	-	350	8%
Other regions	29	26	6	-	61	1%
Total	\$ 2,156	\$ 1,448	\$ 687	\$ 332	\$ 4,623	100%

  

(\$ in millions)						
52 Weeks Ended February 1, 2020	Old Navy Global	Gap Global	Banana Republic Global (2)	Other (3)	Total	Percentage of Net Sales
U.S. (1)	\$ 7,259	\$ 2,723	\$ 2,191	\$ 1,225	\$ 13,398	82%
Canada	587	349	215	2	1,153	7%
Europe	-	525	14	-	539	3%
Asia	45	943	96	-	1,084	7%
Other regions	92	94	23	-	209	1%
Total	\$ 7,983	\$ 4,634	\$ 2,539	\$ 1,227	\$ 16,383	100%

  

(\$ in millions)						
52 Weeks Ended February 2, 2019	Old Navy Global	Gap Global	Banana Republic Global	Other (3)	Total	Percentage of Net Sales
U.S. (1)	\$ 7,134	\$ 2,990	\$ 2,095	\$ 1,121	\$ 13,340	81%
Canada	584	379	227	3	1,193	7%
Europe	-	589	14	-	603	4%
Asia	50	1,089	94	-	1,233	7%
Other regions	72	113	26	-	211	1%
Total	\$ 7,840	\$ 5,160	\$ 2,456	\$ 1,124	\$ 16,580	100%

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

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

(3) Primarily consists of net sales for the Athleta and Intermix brands as well as a portion of income related to our credit card agreement. Beginning in the third quarter of fiscal 2018, the Hill City brand is also included. Net sales for Athleta for the thirteen weeks ended February 1, 2020 and February 2, 2019 were \$288 million and \$263 million, respectively. Net sales for Athleta for fiscal year 2019 and 2018 were \$978 million and \$881 million, respectively.

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

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

	February 2, 2019	52 Weeks Ended February 1, 2020		February 1, 2020	
	Store Locations	Store Locations Opened	Store Locations Closed	Store Locations	Square Feet (millions)
Old Navy North America	1,139	73	5	1,207	19.5
Old Navy Asia	15	4	2	17	0.2
Gap North America	758	4	87	675	7.1
Gap Asia	332	61	35	358	3.2
Gap Europe	152	4	19	137	1.1
Banana Republic North America	556	9	24	541	4.6
Banana Republic Asia	45	5	2	48	0.2
Athleta North America	161	29	-	190	0.8
Intermix North America	36	-	3	33	0.1
Janie and Jack North America (1)	-	-	-	139	0.2
Company-operated stores total	3,194	189	177	3,345	37.0
Franchise	472	140	38	574	N/A
Total	3,666	329	215	3,919	37.0

(1) On March 4, 2019, we acquired select assets of Gymboree, Inc. related to Janie and Jack. The 140 stores acquired were not included as store openings for fiscal 2019; however, they are included in the ending number of store locations as of February 1, 2020, net of one closure that occurred in the third quarter of fiscal 2019.