

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	<u>May 1, 2021</u>	<u>May 2, 2020</u>	<u>May 4, 2019 (a)</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,066	\$ 1,028	\$ 941
Short-term investments	475	51	272
Merchandise inventory	2,370	2,217	2,242
Other current assets	1,091	920	757
Total current assets	<u>6,002</u>	<u>4,216</u>	<u>4,212</u>
Property and equipment, net	2,839	2,945	3,129
Operating lease assets	4,060	4,851	5,732
Other long-term assets	703	698	547
Total assets	<u>\$ 13,604</u>	<u>\$ 12,710</u>	<u>\$ 13,620</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Revolving credit facility	\$ -	\$ 500	\$ -
Accounts payable	1,530	971	994
Accrued expenses and other current liabilities	1,294	1,051	882
Current portion of operating lease liabilities	798	886	929
Income taxes payable	16	23	26
Total current liabilities	<u>3,638</u>	<u>3,431</u>	<u>2,831</u>
Long-term liabilities:			
Long-term debt	2,218	1,250	1,249
Long-term operating lease liabilities	4,449	5,331	5,597
Other long-term liabilities	493	381	372
Total long-term liabilities	<u>7,160</u>	<u>6,962</u>	<u>7,218</u>
Total stockholders' equity	<u>2,806</u>	<u>2,317</u>	<u>3,571</u>
Total liabilities and stockholders' equity	<u>\$ 13,604</u>	<u>\$ 12,710</u>	<u>\$ 13,620</u>

(a) First 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		
	May 1, 2021	May 2, 2020	May 4, 2019 (a)
Net sales	\$ 3,991	\$ 2,107	\$ 3,706
Cost of goods sold and occupancy expenses	2,361	1,839	2,362
Gross profit	1,630	268	1,344
Operating expenses	1,390	1,512	1,028
Operating income (loss)	240	(1,244)	316
Interest, net	53	15	14
Income (loss) before income taxes	187	(1,259)	302
Income taxes	21	(327)	75
Net income (loss)	<u>\$ 166</u>	<u>\$ (932)</u>	<u>\$ 227</u>
Weighted-average number of shares - basic	376	372	379
Weighted-average number of shares - diluted	385	372	381
Earnings (loss) per share - basic	\$ 0.44	\$ (2.51)	\$ 0.60
Earnings (loss) per share - diluted	\$ 0.43	\$ (2.51)	\$ 0.60

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

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

(\$ in millions)	13 Weeks Ended		
	May 1, 2021 (a)	May 2, 2020 (a)	May 4, 2019 (a) (b)
Cash flows from operating activities:			
Net income (loss)	\$ 166	\$ (932)	227
Depreciation and amortization	120	130	138
Impairment of operating lease assets	5	360	-
Impairment of store assets	-	124	-
Loss on divestiture activity	56	-	-
Gain on sale of building	-	-	(191)
Change in merchandise inventory	69	(79)	(83)
Change in income taxes payable, net of receivables and other tax-related items	(18)	(322)	36
Other, net	(58)	(221)	(98)
Net cash provided by (used for) operating activities	340	(940)	29
Cash flows from investing activities:			
Purchases of property and equipment	(124)	(122)	(165)
Purchase of building	-	-	(343)
Purchases of short-term investments	(298)	(59)	(69)
Proceeds from sales and maturities of short-term investments	233	297	86
Proceeds from divestiture activity	28	-	-
Proceeds from sale of building	-	-	220
Purchase of Janie and Jack	-	-	(69)
Net cash provided by (used for) investing activities	(161)	116	(340)
Cash flows from financing activities:			
Proceeds from revolving credit facility	-	500	-
Proceeds from issuances under share-based compensation plans	25	6	10
Withholding tax payments related to vesting of stock units	(32)	(7)	(19)
Repurchases of common stock	-	-	(50)
Cash dividends paid	(91)	-	(92)
Net cash provided by (used for) financing activities	(98)	499	(151)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(1)	(8)	-
Net increase (decrease) in cash, cash equivalents, and restricted cash	80	(333)	(462)
Cash, cash equivalents, and restricted cash at beginning of period	2,016	1,381	1,420
Cash, cash equivalents, and restricted cash at end of period	\$ 2,096	\$ 1,048	\$ 958

(a) For the thirteen weeks ended May 1, 2021, May 2, 2020, and May 4, 2019, total cash, cash equivalents, and restricted cash includes \$30 million, \$20 million, and \$17 million, respectively, of restricted cash recorded in other current assets and other long-term assets on the Condensed Consolidated Balance Sheets.

(b) First quarter of fiscal 2019 information provided for comparability.

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)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Net cash provided by (used for) operating activities	\$ 340	\$ (940)
Less: Purchases of property and equipment	(124)	(122)
Free cash flow	<u>\$ 216</u>	<u>\$ (1,062)</u>

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE FIRST 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 impact of a loss on divestiture activity incurred during the first quarter of fiscal 2021. 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 May 1, 2021	Operating Expenses	Operating Expenses as a % of Net Sales	Operating Income	Operating Income as a % of Net Sales	Income Taxes	Net Income	Earnings per Share - Diluted
GAAP metrics, as reported	\$ 1,390	34.8%	\$ 240	6.0%	\$ 21	\$ 166	\$ 0.43
Adjustments for:							
Loss on divestiture activity (a)	(56)	(1.4)%	56	1.4%	36	20	0.05
Non-GAAP metrics	<u>\$ 1,334</u>	<u>33.4%</u>	<u>\$ 296</u>	<u>7.4%</u>	<u>\$ 57</u>	<u>\$ 186</u>	<u>\$ 0.48</u>

(a) Represents the impact of the loss on divestiture activity for the Janie and Jack and Intermix brands.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE FIRST QUARTER OF 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 a gain on the sale of a building, separation-related costs, and specialty fleet restructuring costs. 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 Expenses	Operating Expenses as a % of Net Sales	Operating Income	Operating Income as a % of Net Sales (c)	Income Taxes	Net Income	Earnings per Share - Diluted
13 Weeks Ended May 4, 2019							
GAAP metrics, as reported	\$ 1,028	27.7%	\$ 316	8.5%	\$ 75	\$ 227	\$ 0.60
Adjustments for:							
Gain on sale of building	191	5.2%	(191)	(5.2)%	(50)	(141)	(0.37)
Separation-related costs (a)	(4)	(0.1)%	4	0.1%	1	3	0.01
Specialty fleet restructuring costs (b)	(1)	(0.0)%	1	0.0%	-	1	0.00
Non-GAAP metrics	<u>\$ 1,214</u>	<u>32.8%</u>	<u>\$ 130</u>	<u>3.5%</u>	<u>\$ 26</u>	<u>\$ 90</u>	<u>\$ 0.24</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) Operating income as a percentage of net sales was 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 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 impact of a loss on divestiture activity incurred during the first quarter of fiscal 2021. However, 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	\$ 1.55	\$ 1.70
Add: Estimated impact of loss on divestiture activity (a)	0.14	0.14
Less: Estimated incremental tax benefit on divestiture activity (b)	(0.09)	(0.09)
Expected adjusted earnings per share - diluted	<u>\$ 1.60</u>	<u>\$ 1.75</u>

(a) Represents the estimated earnings per share impact of the loss on divestiture activity for the Janie and Jack and Intermix brands.

(b) Represents certain tax impacts related to divestiture activity discussed above.

The Gap, Inc.
NET SALES RESULTS
UNAUDITED

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

(\$ in millions)

13 Weeks Ended May 1, 2021	Old Navy		Banana			Total
	Global	Gap Global	Republic Global	Athleta (2)	Other (3)	
U.S. (1)	\$ 2,099	\$ 556	\$ 333	\$ 347	\$ 89	\$ 3,424
Canada	159	68	34	-	-	261
Europe	-	69	3	-	-	72
Asia	1	163	16	-	-	180
Other regions	21	30	3	-	-	54
Total	\$ 2,280	\$ 886	\$ 389	\$ 347	\$ 89	\$ 3,991

(\$ in millions)

13 Weeks Ended May 2, 2020	Old Navy		Banana			Total
	Global	Gap Global	Republic Global	Athleta (2)	Other (4)	
U.S. (1)	\$ 949	\$ 311	\$ 245	\$ 205	\$ 51	\$ 1,761
Canada	77	34	24	-	-	135
Europe	-	54	3	-	-	57
Asia	1	108	12	-	-	121
Other regions	11	17	5	-	-	33
Total	\$ 1,038	\$ 524	\$ 289	\$ 205	\$ 51	\$ 2,107

(\$ in millions)

13 Weeks Ended May 4, 2019	Old Navy		Banana			Total
	Global	Gap Global	Republic Global (5)	Athleta (2)	Other (6)	
U.S. (1)	\$ 1,641	\$ 608	\$ 487	\$ 223	\$ 63	\$ 3,022
Canada	128	69	47	-	1	245
Europe	-	121	3	-	-	124
Asia	10	233	26	-	-	269
Other regions	20	21	5	-	-	46
Total	\$ 1,799	\$ 1,052	\$ 568	\$ 223	\$ 64	\$ 3,706

(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) Primarily consists of net sales for the Intermix brand. Also includes net sales for the Janie and Jack brand through April 7, 2021.

(4) Primarily consists of net sales for the Intermix, Janie and Jack, and Hill City brands.

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

(6) 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	13 Weeks Ended May 1, 2021		May 1, 2021	Square Feet (millions)
	Store Locations	Store Locations Opened	Store Locations Closed (1)	Store Locations	
Old Navy North America	1,220	24	2	1,242	19.9
Gap North America	556	1	5	552	5.8
Gap Asia	340	5	8	337	2.9
Gap Europe	117	1	2	116	1.0
Banana Republic North America	471	1	3	469	4.0
Banana Republic Asia	47	3	2	48	0.2
Athleta North America	199	3	0	202	0.8
Intermix North America	31	0	0	31	0.1
Janie and Jack North America (2)	119	0	0	-	-
Company-operated stores total	3,100	38	22	2,997	34.7
Franchise	615	36	77	574	N/A
Total	3,715	74	99	3,571	34.7

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

(2) On April 8, 2021, the Company completed the sale of the Janie and Jack brand. The 119 stores sold are not included as store closures or in the ending balance for fiscal 2021.