

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	August 3, 2024	July 29, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,900	\$ 1,350
Short-term investments	246	—
Merchandise inventory	2,107	2,226
Other current assets	556	663
Total current assets	4,809	4,239
Property and equipment, net of accumulated depreciation	2,525	2,595
Operating lease assets	3,185	3,113
Other long-term assets	990	903
Total assets	\$ 11,509	\$ 10,850
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,522	\$ 1,406
Accrued expenses and other current liabilities	1,029	1,007
Current portion of operating lease liabilities	613	578
Income taxes payable	60	16
Total current liabilities	3,224	3,007
Long-term liabilities:		
Revolving credit facility	—	150
Long-term debt	1,489	1,487
Long-term operating lease liabilities	3,357	3,433
Other long-term liabilities	538	510
Total long-term liabilities	5,384	5,580
Total stockholders' equity	2,901	2,263
Total liabilities and stockholders' equity	\$ 11,509	\$ 10,850

The Gap, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

(\$ and shares in millions except per share amounts)	13 Weeks Ended		26 Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Net sales	\$ 3,720	\$ 3,548	\$ 7,108	\$ 6,824
Cost of goods sold and occupancy expenses	2,137	2,215	4,128	4,277
Gross profit	1,583	1,333	2,980	2,547
Operating expenses	1,290	1,227	2,482	2,451
Operating income	293	106	498	96
Interest, net	(3)	(2)	(6)	8
Income before income taxes	296	108	504	88
Income tax expense (benefit)	90	(9)	140	(11)
Net income	\$ 206	\$ 117	\$ 364	\$ 99
Weighted-average number of shares - basic	376	369	375	368
Weighted-average number of shares - diluted	383	371	383	372
Earnings per share - basic	\$ 0.55	\$ 0.32	\$ 0.97	\$ 0.27
Earnings per share - diluted	\$ 0.54	\$ 0.32	\$ 0.95	\$ 0.27

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

(\$ in millions)	26 Weeks Ended	
	August 3, 2024 (a)	July 29, 2023 (a)
Cash flows from operating activities:		
Net income	\$ 364	\$ 99
Depreciation and amortization	247	267
Gain on sale of building	—	(47)
Change in merchandise inventory	(118)	160
Change in accounts payable	155	104
Change in accrued expenses and other current liabilities	(88)	(76)
Change in income taxes payable, net of receivables and other tax-related items	61	5
Other, net	(42)	16
Net cash provided by operating activities	<u>579</u>	<u>528</u>
Cash flows from investing activities:		
Purchases of property and equipment	(182)	(199)
Net proceeds from sale of buildings	—	76
Purchases of short-term investments	(276)	—
Proceeds from sales and maturities of short-term investments	33	—
Proceeds from divestiture activity	—	11
Net cash used for investing activities	<u>(425)</u>	<u>(112)</u>
Cash flows from financing activities:		
Repayments of revolving credit facility	—	(200)
Proceeds from issuances under share-based compensation plans	21	13
Withholding tax payments related to vesting of stock units	(33)	(11)
Cash dividends paid	(112)	(111)
Net cash used for financing activities	<u>(124)</u>	<u>(309)</u>
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(2)	(2)
Net increase in cash, cash equivalents, and restricted cash	28	105
Cash, cash equivalents, and restricted cash at beginning of period	1,901	1,273
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,929</u>	<u>\$ 1,378</u>

(a) For the twenty-six weeks ended August 3, 2024 and July 29, 2023, total cash, cash equivalents, and restricted cash includes \$29 million and \$28 million, respectively, of restricted cash recorded within 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 as well as building and maintaining our stores and distribution centers. 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)	26 Weeks Ended	
	August 3, 2024	July 29, 2023
Net cash provided by operating activities	\$ 579	\$ 528
Less: Purchases of property and equipment	(182)	(199)
Free cash flow	\$ 397	\$ 329

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE SECOND QUARTER OF FISCAL YEAR 2023

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 restructuring costs. Management believes the adjusted metrics are useful for the assessment of ongoing operations as we believe the adjusted items are not indicative of our ongoing operations, and provide 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	Operating Expenses as a % of Net Sales	Operating Income	Operating Margin (b)	Income Tax Expense (Benefit)	Net Income	Earnings per Share - Diluted (b)
13 Weeks Ended July 29, 2023							
GAAP metrics, as reported	\$ 1,227	34.6 %	\$ 106	3.0 %	\$ (9)	\$ 117	\$ 0.32
Adjustments for:							
Restructuring costs (a)	(13)	(0.4)%	13	0.4 %	3	10	0.03
Non-GAAP metrics	\$ 1,214	34.2 %	\$ 119	3.4 %	\$ (6)	\$ 127	\$ 0.34

(a) Includes \$3 million of employee-related costs and \$10 million of consulting and other associated costs related to our previously announced actions to further simplify and optimize our operating model and structure.

(b) Earnings per share was 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 second quarter fiscal year 2024 and 2023 net sales (unaudited):

(\$ in millions) 13 Weeks Ended August 3, 2024	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (2)	Total
U.S. (1)	\$ 1,953	\$ 579	\$ 414	\$ 327	\$ 14	\$ 3,287
Canada	159	77	43	10	—	289
Other regions	11	110	22	1	—	144
Total	<u>\$ 2,123</u>	<u>\$ 766</u>	<u>\$ 479</u>	<u>\$ 338</u>	<u>\$ 14</u>	<u>\$ 3,720</u>

(\$ in millions) 13 Weeks Ended July 29, 2023	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (2)	Total
U.S. (1)	\$ 1,777	\$ 542	\$ 415	\$ 327	\$ 11	\$ 3,072
Canada	165	76	44	13	—	298
Other regions	19	137	21	1	—	178
Total	<u>\$ 1,961</u>	<u>\$ 755</u>	<u>\$ 480</u>	<u>\$ 341</u>	<u>\$ 11</u>	<u>\$ 3,548</u>

(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:

	February 3, 2024	26 Weeks Ended August 3, 2024		August 3, 2024	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,243	10	5	1,248	19.8
Gap North America	472	1	13	460	4.9
Gap Asia	134	—	7	127	1.1
Banana Republic North America	400	1	8	393	3.3
Banana Republic Asia	43	1	2	42	0.2
Athleta North America	270	2	1	271	1.1
Company-operated stores total	2,562	15	36	2,541	30.4
Franchise	998	81	52	1,027	N/A
Total	3,560	96	88	3,568	30.4