

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	<u>April 30, 2022</u>	<u>May 1, 2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 845	\$ 2,066
Short-term investments	-	475
Merchandise inventory	3,169	2,370
Other current assets	991	1,091
Total current assets	<u>5,005</u>	<u>6,002</u>
Property and equipment, net	2,791	2,839
Operating lease assets	3,587	4,060
Other long-term assets	874	703
Total assets	<u>\$ 12,257</u>	<u>\$ 13,604</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,599	\$ 1,530
Accrued expenses and other current liabilities	1,127	1,294
Current portion of operating lease liabilities	717	798
Income taxes payable	29	16
Total current liabilities	<u>3,472</u>	<u>3,638</u>
Long-term liabilities:		
Revolving credit facility	350	-
Long-term debt	1,485	2,218
Long-term operating lease liabilities	3,921	4,449
Other long-term liabilities	575	493
Total long-term liabilities	<u>6,331</u>	<u>7,160</u>
Total stockholders' equity	<u>2,454</u>	<u>2,806</u>
Total liabilities and stockholders' equity	<u>\$ 12,257</u>	<u>\$ 13,604</u>

The Gap, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	13 Weeks Ended	
	April 30, 2022	May 1, 2021
(\$ and shares in millions except per share amounts)		
Net sales	\$ 3,477	\$ 3,991
Cost of goods sold and occupancy expenses	2,381	2,361
Gross profit	1,096	1,630
Operating expenses	1,293	1,390
Operating income (loss)	(197)	240
Interest, net	19	53
Income (loss) before income taxes	(216)	187
Income taxes	(54)	21
Net income (loss)	<u>\$ (162)</u>	<u>\$ 166</u>
Weighted-average number of shares - basic	370	376
Weighted-average number of shares - diluted	370	385
Earnings (loss) per share - basic	\$ (0.44)	\$ 0.44
Earnings (loss) per share - diluted	\$ (0.44)	\$ 0.43

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

(\$ in millions)	13 Weeks Ended	
	April 30, 2022 (a)	May 1, 2021 (a)
Cash flows from operating activities:		
Net income (loss)	\$ (162)	\$ 166
Depreciation and amortization	130	120
Loss on divestiture activity	-	56
Change in merchandise inventory	(166)	69
Change in accounts payable	(336)	(205)
Change in accrued expenses and other current liabilities	(236)	40
Change in income taxes payable, net of receivables and other tax-related items	369	(18)
Other, net	39	112
Net cash provided by (used for) operating activities	(362)	340
Cash flows from investing activities:		
Purchases of property and equipment	(228)	(124)
Purchases of short-term investments	-	(298)
Proceeds from sales and maturities of short-term investments	-	233
Proceeds from divestiture activity	-	28
Net proceeds from sale of building	333	-
Net cash provided by (used for) investing activities	105	(161)
Cash flows from financing activities:		
Proceeds from revolving credit facility	350	-
Proceeds from issuances under share-based compensation plans	7	25
Withholding tax payments related to vesting of stock units	(14)	(32)
Repurchases of common stock	(54)	-
Cash dividends paid	(56)	(91)
Net cash provided by (used for) financing activities	233	(98)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(7)	(1)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(31)	80
Cash, cash equivalents, and restricted cash at beginning of period	902	2,016
Cash, cash equivalents, and restricted cash at end of period	\$ 871	\$ 2,096

(a) For the thirteen weeks ended April 30, 2022 and May 1, 2021, total cash, cash equivalents, and restricted cash includes \$26 million and \$30 million, respectively, of restricted cash primarily recorded in 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)	13 Weeks Ended	
	April 30, 2022	May 1, 2021
Net cash provided by (used for) operating activities	\$ (362)	\$ 340
Less: Purchases of property and equipment	(228)	(124)
Free cash flow	<u>\$ (590)</u>	<u>\$ 216</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 that occurred during the first quarter of fiscal 2021 related to the Janie and Jack and Intermix brands.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

EXPECTED ADJUSTED EARNINGS PER SHARE FOR FISCAL YEAR 2022

Expected adjusted diluted earnings per share is a non-GAAP financial measure. Expected adjusted diluted earnings per share for fiscal year 2022 is provided to enhance visibility into the Company's expected underlying results for the period excluding the estimated impact of strategic changes to our operating model in Mexico and the sale of the Company's U.K. distribution center. This non-GAAP financial measure is not intended to supersede or replace the GAAP measure.

	52 Weeks Ending January 28, 2023	
	Low End	High End
Expected earnings per share - diluted	\$ 0.40	\$ 0.70
Add: Estimated impact of strategic actions (a)	0.09	0.09
Less: Estimated gain on sale of building (b)	(0.19)	(0.19)
Expected adjusted earnings per share - diluted	<u>\$ 0.30</u>	<u>\$ 0.60</u>

(a) Represents the estimated earnings per share impact, calculated net of tax at the expected effective tax rate, of estimated net costs related to strategic changes to our operating model in Mexico.

(b) Represents the estimated earnings per share impact, calculated net of tax at the expected effective tax rate, of an expected gain on the sale of our U.K. distribution center.

The Gap, Inc.
NET SALES RESULTS
UNAUDITED

The following table details the Company's first quarter fiscal year 2022 and 2021 net sales (unaudited):

(\$ in millions)

13 Weeks Ended April 30, 2022	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (2)	Total
U.S. (1)	\$ 1,673	\$ 497	\$ 416	\$ 344	\$ 3	\$ 2,933
Canada	147	64	43	9	-	263
Europe	1	54	1	2	-	58
Asia	-	141	16	-	-	157
Other regions	20	35	6	5	-	66
Total	\$ 1,841	\$ 791	\$ 482	\$ 360	\$ 3	\$ 3,477

(\$ in millions)

13 Weeks Ended May 1, 2021	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (3)	Total
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

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

(2) Primarily consists of net sales from revenue generating strategic initiatives.

(3) Primarily consists of net sales for the Intermix brand, which was divested on May 21, 2021. Also includes net sales for the Janie and Jack brand through April 7, 2021.

The Gap, Inc.
REAL ESTATE

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

	January 29, 2022	13 Weeks Ended April 30, 2022		April 30, 2022	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,252	9	3	1,258	20.2
Gap North America	520	1	9	512	5.4
Gap Asia	329	3	4	328	2.7
Gap Europe (1)	11	-	-	-	-
Banana Republic North America	446	1	2	445	3.7
Banana Republic Asia	50	1	-	51	0.2
Athleta North America	227	6	2	231	1.0
Company-operated stores total	2,835	21	20	2,825	33.2
Franchise (1)	564	23	9	589	N/A
Total	3,399	44	29	3,414	33.2

(1) The 11 Gap Italy stores that were transitioned to OVS S.p.A. 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.