

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

(\$ in millions)	<u>July 30, 2022</u>	<u>July 31, 2021</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 708	\$ 2,375
Short-term investments	-	337
Merchandise inventory	3,135	2,281
Other current assets	1,106	1,201
Total current assets	<u>4,949</u>	<u>6,194</u>
Property and equipment, net	2,809	2,897
Operating lease assets	3,532	3,975
Other long-term assets	881	693
Total assets	<u>\$ 12,171</u>	<u>\$ 13,759</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,640	\$ 1,583
Accrued expenses and other current liabilities	1,216	1,252
Current portion of operating lease liabilities	717	789
Income taxes payable	41	27
Total current liabilities	<u>3,614</u>	<u>3,651</u>
Long-term liabilities:		
Revolving credit facility	350	-
Long-term debt	1,485	2,220
Long-term operating lease liabilities	3,857	4,348
Other long-term liabilities	560	520
Total long-term liabilities	<u>6,252</u>	<u>7,088</u>
Total stockholders' equity	<u>2,305</u>	<u>3,020</u>
Total liabilities and stockholders' equity	<u>\$ 12,171</u>	<u>\$ 13,759</u>

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

	13 Weeks Ended		26 Weeks Ended	
	July 30, 2022	July 31, 2021	July 30, 2022	July 31, 2021
(\$ and shares in millions except per share amounts)				
Net sales	\$ 3,857	\$ 4,211	\$ 7,334	\$ 8,202
Cost of goods sold and occupancy expenses	2,527	2,388	4,908	4,749
Gross profit	1,330	1,823	2,426	3,453
Operating expenses	1,358	1,414	2,651	2,804
Operating income (loss)	(28)	409	(225)	649
Interest expense	21	51	41	105
Interest income	(1)	(1)	(2)	(2)
Income (loss) before income taxes	(48)	359	(264)	546
Income taxes	1	101	(53)	122
Net income (loss)	\$ (49)	\$ 258	\$ (211)	\$ 424
Weighted-average number of shares - basic	367	378	369	377
Weighted-average number of shares - diluted	367	386	369	385
Earnings (loss) per share - basic	\$ (0.13)	\$ 0.68	\$ (0.57)	\$ 1.12
Earnings (loss) per share - diluted	\$ (0.13)	\$ 0.67	\$ (0.57)	\$ 1.10

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

(\$ in millions)	26 Weeks Ended	
	July 30, 2022 (a)	July 31, 2021 (a)
Cash flows from operating activities:		
Net income (loss)	\$ (211)	\$ 424
Depreciation and amortization	262	244
Loss on divestiture activity	35	59
Change in merchandise inventory	(140)	156
Change in accounts payable	(292)	(168)
Change in accrued expenses and other current liabilities	(191)	83
Change in income taxes payable, net of receivables and other tax-related items	372	(55)
Other, net	(42)	49
Net cash provided by (used for) operating activities	(207)	792
Cash flows from investing activities:		
Purchases of property and equipment	(406)	(269)
Purchases of short-term investments	-	(427)
Proceeds from sales and maturities of short-term investments	-	500
Net cash paid for divestiture activity	-	(21)
Net proceeds from sale of building	333	-
Net cash provided by (used for) investing activities	(73)	(217)
Cash flows from financing activities:		
Proceeds from revolving credit facility	350	-
Payments for debt issuance costs	(6)	-
Proceeds from issuances under share-based compensation plans	15	41
Withholding tax payments related to vesting of stock units	(15)	(32)
Repurchases of common stock	(111)	(55)
Cash dividends paid	(111)	(137)
Net cash provided by (used for) financing activities	122	(183)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(9)	(1)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(167)	391
Cash, cash equivalents, and restricted cash at beginning of period	902	2,016
Cash, cash equivalents, and restricted cash at end of period	\$ 735	\$ 2,407

(a) For the twenty-six weeks ended July 30, 2022 and July 31, 2021, total cash, cash equivalents, and restricted cash includes \$26 million and \$32 million, respectively, of restricted cash 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)	26 Weeks Ended	
	July 30, 2022	July 31, 2021
Net cash provided by (used for) operating activities	\$ (207)	\$ 792
Less: Purchases of property and equipment	(406)	(269)
Free cash flow	<u>\$ (613)</u>	<u>\$ 523</u>

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

**ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE SECOND QUARTER OF FISCAL YEAR 2022**

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 impairment of unproductive inventory and a loss on divestiture activity. 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)	Gross Profit	Gross Margin	Operating Expenses	Operating Expenses as a % of Net Sales	Operating Income (loss)	Operating Income as a % of Net Sales	Income Taxes	Net Income (loss)	Earnings (loss) per Share - Diluted
<b>13 Weeks Ended July 30, 2022</b>									
GAAP metrics, as reported	\$ 1,330	34.5%	\$ 1,358	35.2%	\$ (28)	(0.7)%	\$ 1	\$ (49)	\$ (0.13)
Adjustments for:									
Inventory impairment charges (a)	58	1.5%	-	-%	58	1.5%	9	49	0.13
Loss on divestiture activity (b)	-	-%	(35)	(0.9)%	35	0.9%	5	30	0.08
Non-GAAP metrics	<u>\$ 1,388</u>	<u>36.0%</u>	<u>\$ 1,323</u>	<u>34.3%</u>	<u>\$ 65</u>	<u>1.7%</u>	<u>\$ 15</u>	<u>\$ 30</u>	<u>\$ 0.08</u>

(a) Represents the non-cash inventory impairment charges for seasonal product and extended size product, primarily at Old Navy.

(b) Represents the impact of the loss on divestiture activity related to the transition of the Old Navy Mexico business.

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

**ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE SECOND 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 and strategic changes related to our operating model in Europe. 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)

<b>13 Weeks Ended July 31, 2021</b>	<b>Operating Expenses</b>	<b>Operating Expenses as a % of Net Sales</b>	<b>Operating Income</b>	<b>Operating Margin</b>	<b>Income Taxes</b>	<b>Net Income</b>	<b>Earnings per Share - Diluted (c)</b>
GAAP metrics, as reported	\$ 1,414	33.6%	\$ 409	9.7%	\$ 101	\$ 258	\$ 0.67
Adjustments for:							
Strategic actions in Europe (a)	(16)	(0.4)%	16	0.4%	4	12	0.03
Loss on divestiture activity (b)	(3)	(0.1)%	3	0.1%	1	2	0.01
Non-GAAP metrics	<u>\$ 1,395</u>	<u>33.1%</u>	<u>\$ 428</u>	<u>10.2%</u>	<u>\$ 106</u>	<u>\$ 272</u>	<u>\$ 0.70</u>

(a) Represents the impact of costs related to the decision to close stores in the United Kingdom and Ireland. These costs primarily include employee related costs.

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

(c) 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 2022 and 2021 net sales (unaudited):

(\$ in millions)

13 Weeks Ended July 30, 2022	Old Navy		Banana			Total
	Global	Gap Global	Republic Global	Athleta Global	Other (2)	
U.S. (1)	\$ 1,880	\$ 565	\$ 460	\$ 335	\$ 3	\$ 3,243
Canada	183	82	53	7	-	325
Europe	-	51	2	-	-	53
Asia	1	141	18	-	-	160
Other regions	26	42	6	2	-	76
<b>Total</b>	<b>\$ 2,090</b>	<b>\$ 881</b>	<b>\$ 539</b>	<b>\$ 344</b>	<b>\$ 3</b>	<b>\$ 3,857</b>

(\$ in millions)

13 Weeks Ended July 31, 2021	Old Navy		Banana			Total
	Global	Gap Global	Republic Global	Athleta Global	Other (3)	
U.S. (1)	\$ 2,177	\$ 615	\$ 428	\$ 340	\$ 11	\$ 3,571
Canada	191	79	43	-	-	313
Europe	-	116	1	1	-	118
Asia	-	135	19	-	-	154
Other regions	22	29	4	-	-	55
<b>Total</b>	<b>\$ 2,390</b>	<b>\$ 974</b>	<b>\$ 495</b>	<b>\$ 341</b>	<b>\$ 11</b>	<b>\$ 4,211</b>

(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.

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

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

	January 29, 2022	26 Weeks Ended July 30, 2022		July 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	16	5	1,263	20.2
Gap North America	520	2	12	510	5.4
Gap Asia	329	4	31	302	2.5
Gap Europe (1)	11	-	-	-	-
Banana Republic North America	446	2	11	437	3.7
Banana Republic Asia	50	1	-	51	0.2
Athleta North America	227	13	4	236	1.0
Company-operated stores total	2,835	38	63	2,799	33.0
Franchise (1)	564	30	14	591	N/A
Total	3,399	68	77	3,390	33.0

(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.