

The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(\$ in millions)	<u>January 28, 2023</u>	<u>January 29, 2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,215	\$ 877
Merchandise inventory	2,389	3,018
Other current assets	1,013	1,270
Total current assets	<u>4,617</u>	<u>5,165</u>
Property and equipment, net	2,688	3,037
Operating lease assets	3,173	3,675
Other long-term assets	908	884
Total assets	<u>\$ 11,386</u>	<u>\$ 12,761</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,320	\$ 1,951
Accrued expenses and other current liabilities	1,219	1,367
Current portion of operating lease liabilities	667	734
Income taxes payable	50	25
Total current liabilities	<u>3,256</u>	<u>4,077</u>
Long-term liabilities:		
Revolving credit facility	350	-
Long-term debt	1,486	1,484
Long-term operating lease liabilities	3,517	4,033
Other long-term liabilities	544	445
Total long-term liabilities	<u>5,897</u>	<u>5,962</u>
Total stockholders' equity	<u>2,233</u>	<u>2,722</u>
Total liabilities and stockholders' equity	<u>\$ 11,386</u>	<u>\$ 12,761</u>

The Gap, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

(\$ and shares in millions except per share amounts)	13 Weeks Ended		52 Weeks Ended	
	January 28, 2023	January 29, 2022	January 28, 2023	January 29, 2022
Net sales	\$ 4,243	\$ 4,525	\$ 15,616	\$ 16,670
Cost of goods sold and occupancy expenses	2,819	3,002	10,257	10,033
Gross profit	1,424	1,523	5,359	6,637
Operating expenses	1,454	1,515	5,428	5,827
Operating income (loss)	(30)	8	(69)	810
Loss on extinguishment of debt	-	-	-	325
Interest, net	13	16	70	162
Income (loss) before income taxes	(43)	(8)	(139)	323
Income tax expense (benefit)	230	8	63	67
Net income (loss)	<u>\$ (273)</u>	<u>\$ (16)</u>	<u>\$ (202)</u>	<u>\$ 256</u>
Weighted-average number of shares - basic	366	373	367	376
Weighted-average number of shares - diluted	366	373	367	383
Earnings (loss) per share - basic	\$ (0.75)	\$ (0.04)	\$ (0.55)	\$ 0.68
Earnings (loss) per share - diluted	\$ (0.75)	\$ (0.04)	\$ (0.55)	\$ 0.67

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

(\$ in millions)	52 Weeks Ended	
	January 28, 2023 (a)	January 29, 2022 (a)
Cash flows from operating activities:		
Net income (loss)	\$ (202)	\$ 256
Depreciation and amortization	540	504
Loss on extinguishment of debt	-	325
Loss on divestiture activity	35	59
Gain on sale of building	(83)	-
Change in merchandise inventory	554	(593)
Change in accounts payable	(540)	186
Change in accrued expenses and other current liabilities	(243)	172
Change in income taxes payable, net of receivables and other tax-related items	417	(85)
Other, net	129	(15)
Net cash provided by operating activities	<u>607</u>	<u>809</u>
Cash flows from investing activities:		
Purchases of property and equipment	(685)	(694)
Net proceeds from sale of buildings	458	-
Purchases of short-term investments	-	(753)
Proceeds from sales and maturities of short-term investments	-	1,162
Payments for acquisition activity, net of cash acquired	-	(135)
Net cash paid for divestiture activity	-	(21)
Other	-	(5)
Net cash used for investing activities	<u>(227)</u>	<u>(446)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	350	-
Proceeds from issuance of long-term debt	-	1,500
Payments to extinguish debt	-	(2,546)
Payments for debt issuance costs	(6)	(16)
Proceeds from issuances under share-based compensation plans	27	54
Withholding tax payments related to vesting of stock units	(20)	(36)
Repurchases of common stock	(123)	(201)
Cash dividends paid	(220)	(226)
Other	(2)	-
Net cash provided by (used for) financing activities	<u>6</u>	<u>(1,471)</u>
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	<u>(15)</u>	<u>(6)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	371	(1,114)
Cash, cash equivalents, and restricted cash at beginning of period	<u>902</u>	<u>2,016</u>
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,273</u>	<u>\$ 902</u>

(a) For the fifty-two weeks ended January 28, 2023 and January 29, 2022, total cash, cash equivalents, and restricted cash includes \$58 million and \$25 million, respectively, of restricted cash recorded within other current assets and 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)	52 Weeks Ended	
	January 28, 2023	January 29, 2022
Net cash provided by operating activities	\$ 607	\$ 809
Less: Purchases of property and equipment	(685)	(694)
Free cash flow	<u>\$ (78)</u>	<u>\$ 115</u>

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED STATEMENT OF OPERATIONS METRICS FOR 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 certain inventory, impairment related to the Yeezy Gap business, a loss on divestiture activity, and a gain on sale of building. 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	Operatin g Income (Loss)	Operating Margin	Income Taxes	Net Income (Loss)	Earnings per Share - Diluted
52 Weeks Ended January 28, 2023									
GAAP metrics, as reported	\$5,359	34.3%	\$ 5,428	34.8%	\$ (69)	(0.4)%	\$ 63	\$ (202)	\$ (0.55)
Adjustments for:									
Inventory impairment charges (a)	58	0.4%	-	-%	58	0.4%	9	49	0.13
Yeezy Gap impairment charges (b)	53	0.3%	-	-%	53	0.3%	9	44	0.12
Loss on divestiture activity (c)	-	-%	(35)	(0.2)%	35	0.2%	5	30	0.08
Gain on sale of building (d)	-	-%	83	0.5%	(83)	(0.5)%	(17)	(66)	(0.18)
Non-GAAP metrics	<u>\$5,470</u>	<u>35.0%</u>	<u>\$ 5,476</u>	<u>35.1%</u>	<u>\$ (6)</u>	<u>0.0%</u>	<u>\$ 69</u>	<u>\$ (145)</u>	<u>\$ (0.40)</u>

(a) Represents the inventory impairment charges as a result of delayed seasonal product and extended size product, primarily at Old Navy.

(b) Represents the impairment charges as a result of the decision to discontinue the Yeezy Gap business, primarily related to inventory.

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

(d) Represents the impact of a gain on sale of our distribution center located in the United Kingdom.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED STATEMENT OF OPERATIONS METRICS FOR THE FOURTH QUARTER AND 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 impacts of strategic changes related to our operating model in Europe, the loss on extinguishment of debt, and the loss on divestiture activity. 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

(\$ in millions)

	Operating Expenses	Expenses as a % of Net Sales	Operating Income	Operating Margin	Income Taxes	Net Income (Loss)	(Loss) per Share - Diluted
13 Weeks Ended January 29, 2022							
GAAP metrics, as reported	\$ 1,515	33.5%	\$ 8	0.2%	\$ 8	\$ (16)	\$ (0.04)
Adjustments for:							
Strategic actions in Europe (a)	(8)	(0.2)%	8	0.2%	-	8	0.02
Non-GAAP metrics	<u>\$ 1,507</u>	<u>33.3%</u>	<u>\$ 16</u>	<u>0.4%</u>	<u>\$ 8</u>	<u>\$ (8)</u>	<u>\$ (0.02)</u>

(\$ in millions)

	Gross Profit	Gross Margin (c)	Operating Expenses	Operating Expenses as a % of Net Sales	Operating Income	Operating Margin	Loss on Extinguishment of Debt	Income Taxes	Net Income (Loss)	Earnings per Share - Diluted
52 Weeks Ended January 29, 2022										
GAAP metrics, as reported	\$6,637	39.8%	\$5,827	35.0%	\$ 810	4.9%	\$ 325	\$ 67	\$ 256	\$ 0.67
Adjustments for:										
Strategic actions in Europe (a)	(9)	(0.1)%	(50)	(0.3)%	41	0.2%	-	9	32	0.08
Loss on extinguishment of debt	-	-%	-	-%	-	-%	(325)	83	242	0.63
Loss on divestiture activity (b)	-	-%	(59)	(0.4)%	59	0.4%	-	37	22	0.06
Non-GAAP metrics	<u>\$6,628</u>	<u>39.8%</u>	<u>\$5,718</u>	<u>34.3%</u>	<u>\$ 910</u>	<u>5.5%</u>	<u>\$ -</u>	<u>####</u>	<u>\$ 552</u>	<u>\$ 1.44</u>

(a) Represents the net impacts from changes to our European operating model. These impacts primarily include employee-related and lease-related costs.

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

(c) Metrics were 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 fourth quarters and fiscal years 2022 and 2021 net sales (unaudited):

(\$ in millions)						
13 Weeks Ended January 28, 2023	Old Navy		Banana	Athleta	Other (2)	Total
	Global	Gap Global	Republic Global	Global		
U.S. (1)	\$ 1,982	\$ 709	\$ 505	\$ 423	\$ 2	\$ 3,621
Canada	165	91	49	10	-	315
Europe	-	35	1	1	-	37
Asia	-	181	17	-	-	198
Other regions	19	45	6	2	-	72
Total	\$ 2,166	\$ 1,061	\$ 578	\$ 436	\$ 2	\$ 4,243

(\$ in millions)						
13 Weeks Ended January 29, 2022	Old Navy		Banana	Athleta	Other (2)	Total
	Global	Gap Global	Republic Global	Global		
U.S. (1)	\$ 2,097	\$ 761	\$ 532	\$ 428	\$ 2	\$ 3,820
Canada	178	100	54	9	-	341
Europe	1	54	2	1	-	58
Asia	1	219	21	-	-	241
Other regions	30	30	4	1	-	65
Total	\$ 2,307	\$ 1,164	\$ 613	\$ 439	\$ 2	\$ 4,525

(\$ in millions)						
52 Weeks Ended January 28, 2023	Old Navy		Banana	Athleta	Other (2)	Total
	Global	Gap Global	Republic Global	Global		
U.S. (1)	\$ 7,471	\$ 2,461	\$ 1,829	\$ 1,428	\$ 12	\$ 13,201
Canada	679	332	192	33	-	1,236
Europe	2	198	5	4	-	209
Asia	1	606	65	-	-	672
Other regions	81	177	25	15	-	298
Total	\$ 8,234	\$ 3,774	\$ 2,116	\$ 1,480	\$ 12	\$ 15,616

(\$ in millions)						
52 Weeks Ended January 29, 2022	Old Navy		Banana	Athleta	Other (3)	Total
	Global	Gap Global	Republic Global	Global		
U.S. (1)	\$ 8,272	\$ 2,608	\$ 1,703	\$ 1,432	\$ 102	\$ 14,117
Canada	713	349	178	12	-	1,252
Europe	2	328	8	2	-	340
Asia	2	658	70	-	-	730
Other regions	93	120	17	1	-	231
Total	\$ 9,082	\$ 4,063	\$ 1,976	\$ 1,447	\$ 102	\$ 16,670

(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 and Janie and Jack brands. The divestiture of Janie and Jack was completed on April 8, 2021. The divestiture of Intermix was completed on May 21, 2021. Additionally, beginning in the fourth quarter of fiscal 2021, other revenue-generating strategic initiatives are also included.

The Gap, Inc.
REAL ESTATE

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

	January 29, 2022	52 Weeks Ended January 28, 2023		January 28, 2023	
	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)	1,252	30	20	1,238	19.8
Gap North America	520	10	37	493	5.2
Gap Asia	329	5	102	232	2.0
Gap Europe (2)	11	-	-	-	-
Banana Republic North America	446	2	29	419	3.5
Banana Republic Asia	50	3	7	46	0.2
Athleta North America	227	40	10	257	1.1
Company-operated stores total	2,835	90	205	2,685	31.8
Franchise (1) (2)	564	138	70	667	N/A
Total	3,399	228	275	3,352	31.8

(1) The 24 Old Navy Mexico stores that were transitioned to Grupo Axo during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Old Navy North America excludes these stores and the ending balance for Franchise includes these stores.

(2) 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.