Gap Inc.

GAP INC. REPORTS SECOND QUARTER RESULTS

- Increases Reported EPS Guidance to a Range of $2.12 to $2.20 for Fiscal Year 2017
- Increases Adjusted EPS Guidance to a Range of $2.02 to $2.10, Excluding Second Quarter Gain on Insurance Proceeds of 10 cents per share, Compared to Previous Guidance of $1.95 to $2.05
- Positive 1 Percent Comparable Sales Growth, Representing Third Consecutive Quarter of Positive Comparable Sales Growth
- Fourth Consecutive Quarter of Gross Margin Expansion
- Distributed Approximately $380 Million to Shareholders Through Share Repurchases and Dividends Year-to-Date

SAN FRANCISCO – August 17, 2017 – Gap Inc. (NYSE: GPS) today reported results for the second quarter of fiscal year 2017. On a reported basis, Gap Inc.'s second quarter fiscal year 2017 diluted earnings per share were $0.68. On an adjusted basis, the company's second quarter fiscal year 2017 diluted earnings per share were $0.58, excluding a $0.10 benefit from insurance proceeds related to the fire that occurred on the company's Fishkill distribution center campus in fiscal year 2016 (the "Fishkill fire"). Please see the reconciliation of adjusted diluted earnings per share, a non-GAAP financial measure, from the GAAP financial measure in the table at the end of this press release.

"With a third consecutive quarter of comp sales growth, we are seeing our investments in product, customer experience, and brand equity begin to pay off," said Art Peck, president and chief executive officer, Gap Inc. "Based on the strength of the first half, we are pleased to increase our full year earnings guidance."

Peck continued, "As we continue to focus on long-term growth, we are accelerating our strategies that put the customer at the center of everything we do – including a focus on product categories where we have clear differentiation, continued investment in our online and mobile offerings, and taking advantage of our operating scale to drive speed to market, responsiveness to customer demands and efficiency."

Second Quarter 2017 Comparable Sales Results

Gap Inc.'s comparable sales for the second quarter of fiscal year 2017 were up 1 percent versus a 2 percent decrease last year. Comparable sales by global brand for the second quarter were as follows:

- **Old Navy Global:** positive 5 percent versus flat last year
- **Gap Global:** negative 1 percent versus negative 3 percent last year
- **Banana Republic Global:** negative 5 percent versus negative 9 percent last year

Net Sales Results

Net sales for the second quarter of fiscal year 2017 were $3.80 billion compared with $3.85 billion for the second quarter of fiscal year 2016. The translation of foreign currencies into U.S. dollars negatively impacted the company's net sales for the second quarter of fiscal year 2017 by about $37 million.[1] Second quarter net sales details appear in the tables at the end of this press release.

Additional Second Quarter of Fiscal Year 2017 Results and 2017 Outlook

Earnings per Share

The company updated its reported diluted earnings per share guidance for fiscal year 2017 to be in the range of $2.12 to $2.20. Excluding the benefit from insurance proceeds related to the Fishkill fire of about $0.10, the company expects its adjusted diluted earnings per share to be in the range of $2.02 to $2.10. Please see the reconciliation of adjusted diluted earnings per share, a non-GAAP financial measure, from the GAAP financial measure in the table at the end of this press release.

The company noted that foreign currency fluctuations negatively impacted earnings per share for the second quarter of fiscal year 2017 by an estimated $0.02, or about 3 percentage points of earnings per share growth.[2]

Comparable and Net Sales

The company continues to expect comparable sales for fiscal year 2017 to be flat to up slightly.

Net sales for fiscal year 2017 are expected to be slightly below this range driven by an expected negative impact from foreign currency fluctuations year-over-year as well as the impact from international closures in fiscal year 2016.

Operating Expenses

Second quarter fiscal year 2017 operating expenses were $1.03 billion compared with $1.16 billion last year. Excluding the $64 million gain from insurance proceeds related to the Fishkill fire recorded in the second quarter of fiscal year 2017 and restructuring costs of $135 million recorded in the second quarter of fiscal year 2016, second quarter fiscal year 2017 operating expenses were up about $70 million when compared with last year on an adjusted basis. The company noted the increase in adjusted operating expenses was primarily driven by an increase in payroll, largely due to bonus, as well as investments in digital and customer initiatives that support the company's long term growth. Please see the reconciliation of adjusted operating expenses, a non-GAAP financial measure, in the tables at the end of this press release.

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[1] The translation impact on net sales is calculated by applying foreign exchange rates applicable for the second quarter of fiscal year 2017 to net sales for the second quarter of fiscal year 2016. This is done to enhance the visibility of underlying sales trends, excluding the impact of foreign currency exchange rate fluctuations.

[2] In estimating the earnings per share impact from foreign currency exchange rate fluctuations, the company estimates current gross margins using the appropriate prior year rates (including the impact of merchandise-related hedges), translates current period foreign earnings at prior year rates, and excludes the year-over-year earnings impact of balance sheet remeasurement and gains or losses from non-merchandise-related foreign currency hedges. This is done in order to enhance the visibility of business results excluding the direct impact of foreign currency exchange rate fluctuations.

Operating Margin
The company's operating margin for the second quarter of fiscal year 2017 was 11.9 percent compared with 7.2 percent last year.

The company's adjusted operating margin for the second quarter of fiscal year 2017 was 10.2 percent compared with adjusted operating margin of 11.1 percent last year. Please see the reconciliation of adjusted operating margin, a non-GAAP financial measure, in the tables at the end of this press release.

Effective Tax Rate
The effective tax rate was 38.3 percent for the second quarter of fiscal year 2017.

The company continues to expect its fiscal year 2017 effective tax rate to be about 39 percent.

Inventory
At the end of the second quarter of fiscal year 2017, total inventory was up 5 percent.

The company noted about half of the increase is due to the timing of in-transit inventory and the remaining increase is due to mixing into key loyalty categories that have higher costs but also typically deliver higher merchandise margins.

Cash and Cash Equivalents
The company ended the second quarter of fiscal year 2017 with $1.6 billion in cash and cash equivalents. Year-to-date free cash flow, defined as net cash provided by operating activities less purchases of property and equipment, net of insurance proceeds related to loss of property and equipment, was $270 million, reflecting the timing of lease payments and a larger increase in inventory from the beginning of the fiscal year to the end of the quarter when compared to the same period in fiscal year 2016. Please see the reconciliation of free cash flow, a non-GAAP financial measure, from the GAAP financial measure in the tables at the end of this press release.

Cash Distribution
During the quarter, Gap Inc. repurchased 4.5 million shares for about $100 million and ended the second quarter of fiscal year 2017 with 392 million shares outstanding.

The company expects to spend about $100 million on share repurchases in the third quarter of fiscal year 2017.

The company paid a dividend of $0.23 per share during the second quarter of fiscal year 2017. In addition, on August 10, 2017, the company announced that its board of directors authorized a third quarter dividend of $0.23 per share.

Capital Expenditures
Fiscal year-to-date 2017 capital expenditures were $275 million. The company continues to expect capital spending to be approximately $625 million for fiscal year 2017, excluding an estimated $200 million associated with the rebuilding of the company's Fishkill, New York distribution center campus and related supply chain spend. The company noted the majority of these costs are expected to be covered by insurance proceeds. Please see the reconciliation of adjusted capital expenditures, a non-GAAP financial measure, in the tables at the end of this press release.

Real Estate
The company ended the second quarter of fiscal year 2017 with 3,642 store locations in 47 countries, of which 3,179 were company-operated.

The company continues to expect store count to be about flat at the end of fiscal year 2017 compared with fiscal year 2016.

Webcast and Conference Call Information
Jennifer Fall, senior vice president of Corporate Finance and Investor Relations at Gap Inc., will host a summary of the company's second quarter fiscal year 2017 results during a conference call and webcast from approximately 2:00 p.m. to 3:00 p.m. Pacific Time today. Ms. Fall will be joined by Art Peck, Gap Inc. president and chief executive officer, and Teri List-Stoll, Gap Inc. executive vice president and chief financial officer.

The conference call can be accessed by calling 1-855-5000-GPS or 1-855-500-0477 (participant passcode: 6432748). International callers may dial 1-323-794-2078. The webcast can be accessed at www.gapinc.com.

Forward-Looking Statements
This press release and related conference call and webcast contain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements. Words such as "expect," "anticipate," "believe," "estimate," "intend," "plan," "project," and similar expressions also identify forward-looking statements. Forward-looking statements include statements regarding the following: earnings per share, comparable sales and net sales for fiscal year 2017; foreign exchange impact in fiscal year 2017; effective tax rate for fiscal year 2017; share repurchases in the third quarter of fiscal year 2017;capital expenditures for fiscal year 2017; costs related to rebuilding the Fishkill distribution center; insurance recovery for costs related to the fire at our Fishkill distribution center; new stores and store count at the end of fiscal year 2017; SG&A for the third quarter of fiscal year 2017; and online growth in fiscal year 2017.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause the company's actual results to differ materially from those in the forward-looking statements. These factors include, without limitation, the following risks, any of which could have an adverse effect on the Company's financial condition, results of operations, and reputation: the risk that additional information may arise during the company's close process or as a result of subsequent events that would require the company to make adjustments to the unaudited financial information; the risk that the company or its franchisees will be unsuccessful in gauging apparel trends and changing consumer preferences; the highly competitive nature of the company's business in the United States and internationally; the risk of failure to maintain, enhance and protect the company's brand image; the risk of failure to attract and retain key personnel, or effectively manage succession; the risk that trade matters could increase the cost or reduce the supply of apparel available to the company; the risk of changes in the regulatory or administrative landscape; the risk that the company's investments in omni-channel shopping initiatives may not deliver the results the company anticipates; the risk if the company is unable to manage its inventory effectively; the risk that the company is subject to data or other security breaches that may result in increased costs, violations of law, significant legal and financial exposure, and a loss of confidence in the company's security measures; the risk of foreign currency exchange rate fluctuations; the risks to the company's business, including its costs and supply chain, associated with global sourcing and manufacturing; the risk of changes in global economic conditions or consumer spending patterns; the risks to the company's efforts to expand internationally, including its ability to operate under a global brand structure and operating in regions where it has less experience; the risks to the company's reputation or operations associated with importing merchandise from foreign countries, including failure of the company's vendors to adhere to its Code of Vendor Conduct; the risk that the company's franchisees' operation of franchise stores is not directly within the company's control and could impair the value of its brands; the risk that the company or its franchisees will be unsuccessful in identifying, negotiating, and securing new store locations and renewing, modifying, or terminating leases for existing store locations effectively; the risk that comparable sales and margins will experience fluctuations; the risk that changes in the company's credit profile or deterioration in market conditions may limit the company's access to the capital markets; the risk that updates or changes to the company's information technology systems may disrupt its operations; the risk of natural disasters, public health crises, political crises, or other catastrophic events; the risk of reductions in income and cash flow from our marketing and servicing arrangement related to our private label and co-branded credit cards; the risk that the adoption of new accounting pronouncements will impact future results; the risk that the company does not repurchase some or all of the shares it anticipates purchasing pursuant to its repurchase program; and the risk that the company will not be successful in defending various proceedings, lawsuits, disputes, claims, and audits.

Additional information regarding factors that could cause results to differ can be found in the company's Annual Report on Form 10-K for the fiscal year ended January 28, 2017, as well as the company's subsequent filings with the Securities and Exchange Commission.

These forward-looking statements are based on information as of August 17, 2017. The company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

About Gap Inc.
Gap Inc. is a leading global retailer offering clothing, accessories, and personal care products for men, women, and children under the Gap, Banana Republic, Old Navy, Athleta, Intermix, and Weddington Way brands. Fiscal year 2016 net sales were $15.5 billion. Gap Inc. products are available for purchase in more than 90 countries worldwide through about 3,200 company-operated stores, about 450 franchise stores, and e-commerce sites. For more information, please visit www.gapinc.com.

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The Gap, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

($ in millions)	**July 29, 2017**	**July 30, 2016**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,609	$ 1,681
Merchandise inventory	2,051	1,951
Other current assets	598	669
Total current assets	4,258	4,301
Property and equipment, net	2,643	2,755
Other long-term assets	716	681
Total assets	$ 7,617	$ 7,737
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of debt	$ -	$ 424
Accounts payable	1,230	1,224
Accrued expenses and other current liabilities	1,062	1,063
Income taxes payable	107	70
Total current liabilities	2,399	2,781
Long-term liabilities:		
Long-term debt	1,248	1,321
Lease incentives and other long-term liabilities	1,025	1,076
Total long-term liabilities	2,273	2,397
Total stockholders' equity	2,945	2,559
Total liabilities and stockholders' equity	$ 7,617	$ 7,737

The Gap, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED

($ and shares in millions except per share amounts)	13 Weeks Ended July 29, 2017	13 Weeks Ended July 30, 2016	26 Weeks Ended July 29, 2017	26 Weeks Ended July 30, 2016
Net sales	$ 3,799	$ 3,851	$ 7,239	$ 7,289
Cost of goods sold and occupancy expenses	2,320	2,414	4,457	4,643
Gross profit	1,479	1,437	2,782	2,646
Operating expenses	1,028	1,158	2,077	2,145
Operating income	451	279	705	501
Interest, net	12	16	28	34
Income before income taxes	439	263	677	467
Income taxes	168	138	263	215
Net income	$ 271	$ 125	$ 414	$ 252
Weighted-average number of shares - basic	395	398	397	398
Weighted-average number of shares - diluted	396	399	398	399
Earnings per share - basic	$ 0.69	$ 0.31	$ 1.04	$ 0.63
Earnings per share - diluted	$ 0.68	$ 0.31	$ 1.04	$ 0.63

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

($ in millions)	**26 Weeks Ended July 29, 2017**	**26 Weeks Ended July 30, 2016**
Cash flows from operating activities:		
Net income	$ 414	$ 252
Depreciation and amortization (a)	249	272
Change in merchandise inventory	(203)	(52)
Other, net	26	262
Net cash provided by operating activities	486	734
Cash flows from investing activities:		
Purchases of property and equipment	(275)	(270)
Insurance proceeds related to loss on property and equipment	59	-
Other	(3)	(1)
Net cash used for investing activities	(219)	(271)
Cash flows from financing activities:		
Payments of current maturities of debt	(67)	-
Proceeds from issuances under share-based compensation plans	14	16
Withholding tax payments related to vesting of stock units	(14)	(17)
Repurchases of common stock	(200)	-
Excess tax benefit from exercise of stock options and vesting of stock units	-	1
Cash dividends paid	(182)	(183)
Other	-	23
Net cash used for financing activities	(449)	(160)
Effect of foreign exchange rate fluctuations on cash and cash equivalents	8	8
Net increase (decrease) in cash and cash equivalents	(174)	311
Cash and cash equivalents at beginning of period	1,783	1,370
Cash and cash equivalents at end of period	$ 1,609	$ 1,681

(a) Depreciation and amortization is net of amortization of lease incentives.

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, net of insurance proceeds related to loss on property and equipment, as we require regular capital expenditures to build and maintain stores and purchase new equipment to improve our business. 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.

	26 Weeks Ended	
($ in millions)	**July 29, 2017**	**July 30, 2016**
Net cash provided by operating activities	$ 486	$ 734
Less: Purchases of property and equipment	(275)	(270)
Add: Insurance proceeds related to loss on property and equipment (a)	59	-
Free cash flow	$ 270	$ 464

(a) Represents insurance proceeds related to loss on property and equipment from the fire that occurred on the company-owned distribution center campus in Fishkill, New York on August 29, 2016.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED INCOME STATEMENT METRICS

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 impact of the gain from insurance proceeds in the second quarter of fiscal year 2017 and restructuring activities in the second quarter of fiscal year 2016. 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 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)

13 Weeks Ended July 29, 2017	Gross Profit	Gross Margin	Operating Expenses	Operating Expenses as a % of Net Sales (c)	Operating Income	Operating Income as a % of Net Sales (c)
GAAP metrics, as reported	$ 1,479	38.9%	$ 1,028	27.1%	$ 451	11.9%
Adjustments for gain from insurance proceeds (a)	-	-	64	1.7%	(64)	(1.7)%
Non-GAAP metrics	$ 1,479	38.9%	$ 1,092	28.7%	$ 387	10.2%

($ in millions)

13 Weeks Ended July 30, 2016	Gross Profit	Gross Margin	Operating Expenses	Operating Expenses as a % of Net Sales (c)	Operating Income	Operating Income as a % of Net Sales (c)
GAAP metrics, as reported	$ 1,437	37.3%	$ 1,158	30.1%	$ 279	7.2%
Adjustments for impact of fiscal year 2016 restructuring costs (b)	15	0.4%	(135)	(3.5)%	150	3.9%
Non-GAAP metrics	$ 1,452	37.7%	$ 1,023	26.6%	$ 429	11.1%

(a) Represents the gain from insurance proceeds related to the fire that occurred in one of the buildings at a company-owned distribution center campus in Fishkill, New York and impact on percentage of net sales.

(b) Represents the restructuring costs related to fiscal year 2016 store closures and streamlining the company's operations incurred in the second quarter of fiscal year 2016 and impact on percentage of net sales. The costs primarily include lease termination fees, store asset impairments, and employee-related costs.

(c) Operating expenses and 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

ADJUSTED NET INCOME FOR THE SECOND QUARTER OF FISCAL YEARS 2017 AND 2016

Adjusted net income is a non-GAAP financial measure. Adjusted net income is provided to enhance visibility into the company's underlying results for the periods excluding the impact of the gain from insurance proceeds in the second quarter of fiscal year 2017 and restructuring activities in the second quarter of fiscal year 2016. 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 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. Additionally, management uses adjusted net income as a key performance measure for the purposes of evaluating performance internally. However, this non-GAAP financial measure is not intended to supersede or replace the GAAP measure.

	13 Weeks Ended	
($ in millions)	**July 29, 2017**	**July 30, 2016**
Net income, as reported	$ 271	$ 125
Add: Fiscal year 2016 restructuring costs (a)	-	150
Less: Tax benefit related to fiscal year 2016 restructuring costs (b)	-	(63)
Add: Incremental tax expense related to fiscal year 2016 restructuring costs (c)	-	26
Less: Gain from insurance proceeds (d)	(64)	-
Add: Tax expense related to gain from insurance proceeds (e)	24	-
Adjusted net income	$ 231	$ 238

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(a) Represents the restructuring costs incurred related to fiscal year 2016 store closures and streamlining the company's operations, and primarily include lease termination fees, store asset impairments, and employee-related costs. $135 million was recorded in operating expenses and $15 million was recorded in cost of goods sold and occupancy expenses during the second quarter of fiscal year 2016.

(b) The amount of tax benefit associated with the fiscal year 2016 restructuring costs is calculated using the adjusted effective tax rate.

(c) Represents the incremental tax expense related to fiscal year 2016 restructuring costs.

(d) Represents the gain from insurance proceeds related to the fire that occurred in one of the buildings at a company-owned distribution center campus in Fishkill, New York.

(e) Represents the tax impact of the gain from insurance proceeds, calculated at the reported effective tax rate, related to the fire that occurred in one of the buildings at a company-owned distribution center campus in Fishkill, New York.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

ADJUSTED EARNINGS PER SHARE FOR THE SECOND QUARTER OF FISCAL YEARS 2017 AND 2016

Adjusted diluted earnings per share is a non-GAAP financial measure. Adjusted diluted earnings per share is provided to enhance visibility into the company's expected underlying results for the period excluding the impact of the gain from insurance proceeds in the second quarter of fiscal year 2017 and restructuring activities in the second quarter of fiscal year 2016. 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 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. Additionally, management uses adjusted earnings per share as a key performance measure for the purposes of evaluating performance internally. However, this non-GAAP financial measure is not intended to supersede or replace the GAAP measure.

	13 Weeks Ended	
	July 29, 2017	**July 30, 2016**
Earnings per share - diluted, as reported	$ 0.68	$ 0.31
Add: Impact of fiscal year 2016 restructuring costs (a)	-	0.22
Add: Impact of incremental tax expenses related to fiscal year 2016 restructuring costs (b)	-	0.07
Less: Impact of gain from insurance proceeds (c)	(0.10)	-
Diluted earnings per share adjusted for certain items	$ 0.58	$ 0.60
Add: Estimated impact from foreign exchange (d)	0.02	
Diluted earnings per share adjusted for certain items and foreign exchange	$ 0.60	
Earnings per share decline adjusted for certain items	(3)%	
Foreign exchange impact on adjusted earnings per share growth	3%	
Earnings per share growth adjusted for certain items and foreign exchange	0%	

(a) Represents the earnings per share impact of restructuring costs incurred related to fiscal year 2016 store closures and streamlining the company's operations, calculated net of tax at the adjusted effective tax rate. The costs primarily include lease termination fees, store asset impairments, and employee-related costs.

(b) Represents the earnings per share impact of incremental tax expenses related to fiscal year 2016 restructuring costs.

(c) Represents the gain from insurance proceeds, calculated net of tax at the reported effective tax rate, related to the fire that occurred in one of the buildings at a company-owned distribution center campus in Fishkill, New York.

(d) In estimating the earnings per share impact from foreign currency exchange rate fluctuations, the company estimates current gross margins using the appropriate prior year rates (including the impact of merchandise-related hedges), translates current period foreign earnings at prior year rates, and excludes the year-over-year earnings impact of balance sheet remeasurement and gains or losses from non-merchandise-related foreign currency hedges.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

EXPECTED ADJUSTED EARNINGS PER SHARE FOR FISCAL YEAR 2017

Expected adjusted diluted earnings per share is a non-GAAP financial measure. Expected adjusted diluted earnings per share for fiscal year 2017 is provided to enhance visibility into the company's expected underlying results for the period excluding the impact of the gain from insurance proceeds. However, this non-GAAP financial measure is not intended to supersede or replace the GAAP measure.

	53 Weeks Ending February 3, 2018	
	Low End	**High End**
Expected earnings per share - diluted	$ 2.12	$ 2.20
Less: Estimated impact of gain from insurance proceeds (a)	(0.10)	(0.10)
Expected adjusted earnings per share - diluted	$ 2.02	$ 2.10

(a) Represents the estimated gain from insurance proceeds, calculated net of tax at the effective tax rate, related to the fire that occurred in one of the buildings at a company-owned distribution center campus in Fishkill, New York.

The Gap, Inc.
NON-GAAP FINANCIAL MEASURES
UNAUDITED

EXPECTED ADJUSTED CAPITAL EXPENDITURES

Expected adjusted capital expenditures is a non-GAAP financial measure. Expected adjusted capital expenditures for fiscal year 2017 excludes estimated costs associated with rebuilding our Fishkill distribution center and related supply chain spend, the majority of which is expected to be covered by insurance proceeds. However, this non-GAAP financial measure is not intended to supersede or replace the GAAP measure.

($ in millions)	53 Weeks Ending February 3, 2018
Expected capital expenditures	$ 825
Less: Estimated costs associated with rebuilding our Fishkill distribution center	(200)
Expected adjusted capital expenditures	$ 625

The Gap, Inc.
NET SALES RESULTS
UNAUDITED

The following table details the company’s second quarter fiscal year 2017 net sales:

($ in millions) 13 Weeks Ended July 29, 2017	Gap Global	Old Navy Global	Banana Republic Global	Other (2)	Total	Percentage of Net Sales
U.S. (1)	$ 719	$ 1,596	$ 492	$ 231	$ 3,038	80%
Canada	91	133	54	-	278	7%
Europe	148	-	3	-	151	4%
Asia	252	12	24	-	288	8%
Other regions	22	16	6	-	44	1%
Total	$ 1,232	$ 1,757	$ 579	$ 231	$ 3,799	100%

($ in millions) 13 Weeks Ended July 30, 2016	Gap Global	Old Navy Global	Banana Republic Global	Other (3)	Total	Percentage of Net Sales
U.S. (1)	$ 749	$ 1,500	$ 523	$ 200	$ 2,972	77%
Canada	92	129	57	-	278	7%
Europe	159	-	17	-	176	5%
Asia	280	66	29	-	375	10%
Other regions	33	10	7	-	50	1%
Total	$ 1,313	$ 1,705	$ 633	$ 200	$ 3,851	100%

(1) U.S. includes the United States, Puerto Rico, and Guam.
(2) Includes Athleta, Intermix, and Weddington Way.
(3) Includes Athleta and Intermix.

The Gap, Inc.
REAL ESTATE

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

	13 Weeks Ended July 29, 2017				
	Store Locations Beginning of Q2	Store Locations Opened	Store Locations Closed	Store Locations End of Q2	Square Feet (millions)
Gap North America	835	3	4	834	8.6
Gap Asia	307	1	3	305	2.9
Gap Europe	163	-	4	159	1.4
Old Navy North America	1,047	8	4	1,051	17.5
Old Navy Asia	13	-	-	13	0.2
Banana Republic North America	597	3	4	596	5.0
Banana Republic Asia	49	-	1	48	0.2
Athleta North America	133	-	-	133	0.6
Intermix North America	42	-	2	40	0.1
Company-operated stores total	3,186	15	22	3,179	36.5
Franchise	466	7	10	463	N/A
Total	3,652	22	32	3,642	36.5