

Gap Inc.

Fiscal 2016

Second Quarter Earnings Results

Sabrina Simmons

Executive Vice President &
Chief Financial Officer

Forward Looking Statements

This 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. Forward-looking statements include statements identified as such in our August 18, 2016 press release.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements. Information regarding factors that could cause results to differ can be found in our August 18, 2016 earnings press release, our Annual Report on Form 10-K for the fiscal year ended January 30, 2016, and our subsequent filings with the U.S. Securities and Exchange Commission, all of which are available on gapinc.com.

These forward-looking statements are based on information as of August 18, 2016. We assume no obligation to publicly update or revise our forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

SEC Regulation G

This presentation includes the non-GAAP measures adjusted net income, adjusted earnings per share, adjusted earnings per share growth excluding the year-over-year impacts of foreign exchange, adjusted gross profit, adjusted gross margin, adjusted operating expenses, adjusted operating expenses as a percent of net sales, adjusted operating income, adjusted operating income as a percent of net sales, and free cash flow. The description or reconciliation to GAAP of these measures is included in our August 18, 2016 earnings press release, which is available on gapinc.com.

Total Restructuring Cost Per Share ~\$0.29

Includes impact of 52.5% effective tax rate: ~\$0.07

Pre-Tax Restructuring Costs ~\$150 million

Gross Margin ~\$15 million

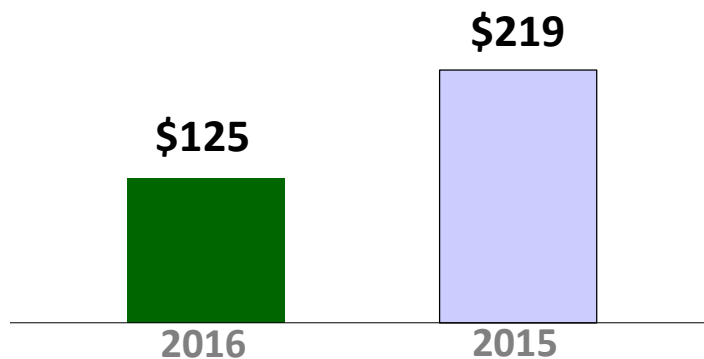
SG&A ~\$135 million

Q2 Net Income

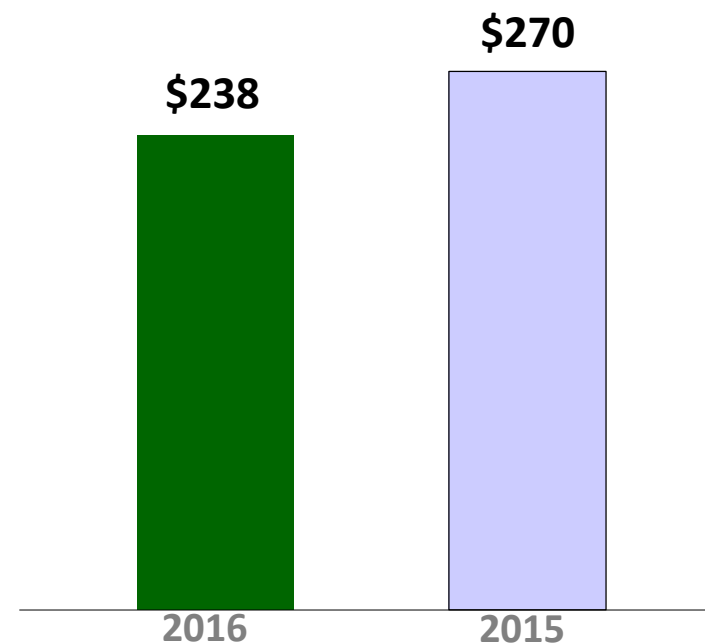
(In Millions)

Gap Inc.

Reported



Adjusted⁽¹⁾



	2016	2015	2016	2015
EPS	\$0.31	\$0.52	\$0.60	\$0.64
EPS Growth YoY			(6%)	(15%)
EPS Growth Excluding Estimated YoY Impact of FX vs. Prior Year			2%	(9%)

(1) Adjusted figures exclude impact of restructuring charges in both periods

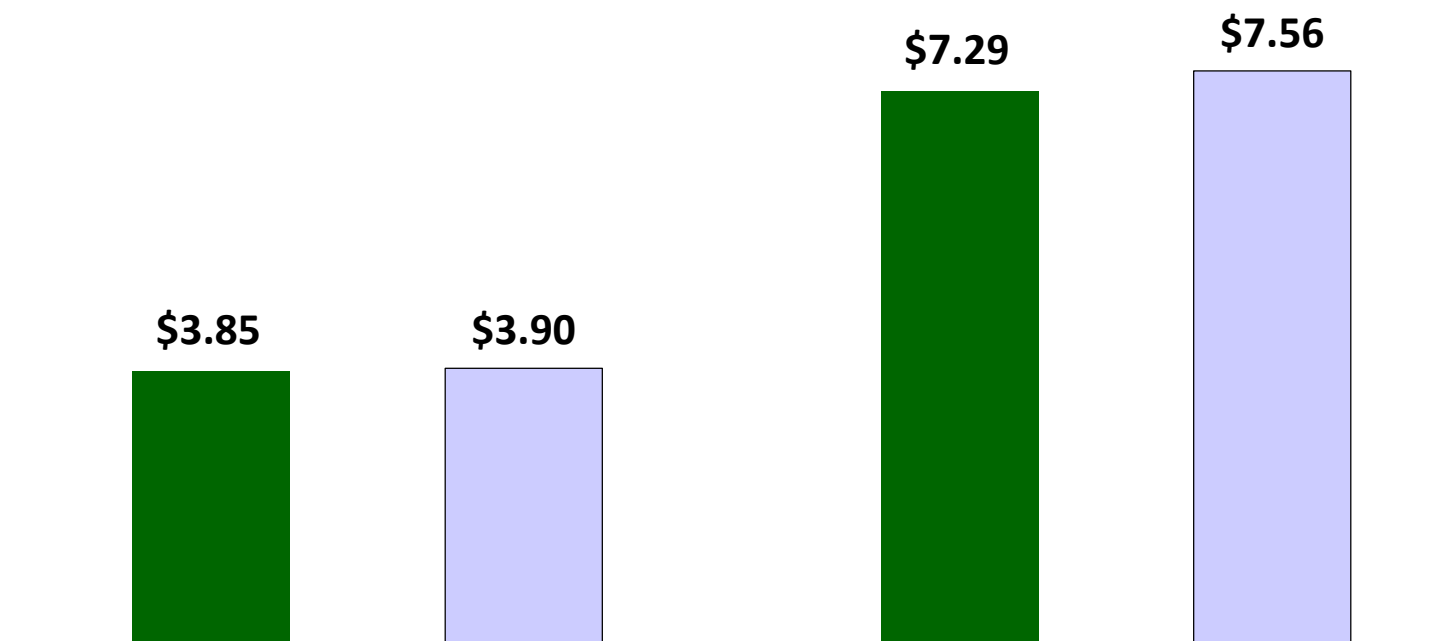
Net Sales

(In Billions)

Gap Inc.

Q2

YTD



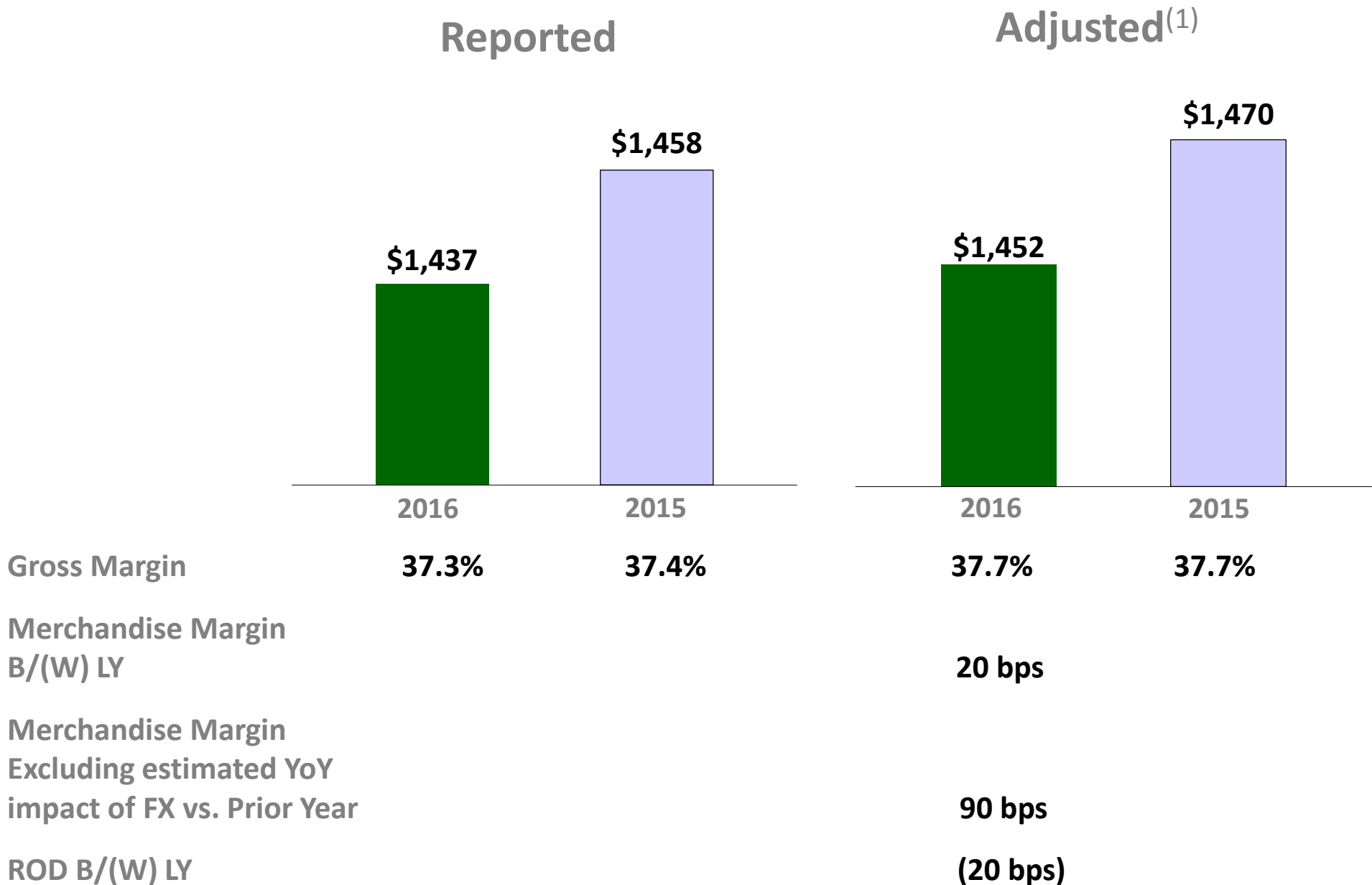
	2016	2015	2016	2015
Comp	(2%)	(2%)	(4%)	(3%)
Net Sales Growth vs. Prior Year	(1%)	(2%)	(4%)	(3%)
Net Sales Growth vs. Prior Year in Constant Currency ⁽¹⁾	(1%)	(0%)	(3%)	0%

(1) In calculating the net sales change on a constant currency basis, current year foreign exchange rates are applied to both current year and prior year net sales. This is done to enhance the visibility of underlying sales trends, excluding the impact of foreign currency exchange rate fluctuations.

Q2 Gross Profit

(In Millions)

Gap Inc.



(1) Excludes \$15 million and \$12 million of pre-tax restructuring charges in 2016 and 2015, respectively

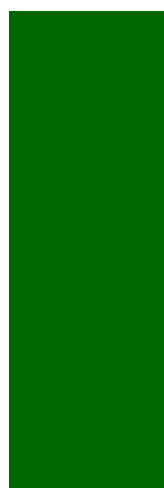
Q2 Operating Expenses

(In Millions)

Gap Inc.

Reported

\$1,158



2016

\$1,089



2015

Adjusted⁽¹⁾

\$1,023



2016

\$1,018



2015

As a % of sales

30.1%

27.9%

26.6%

26.1%

Marketing Expenses

\$131

\$131

(1) Excludes \$135 million and \$71 million of pre-tax restructuring charges in 2016 and 2015, respectively

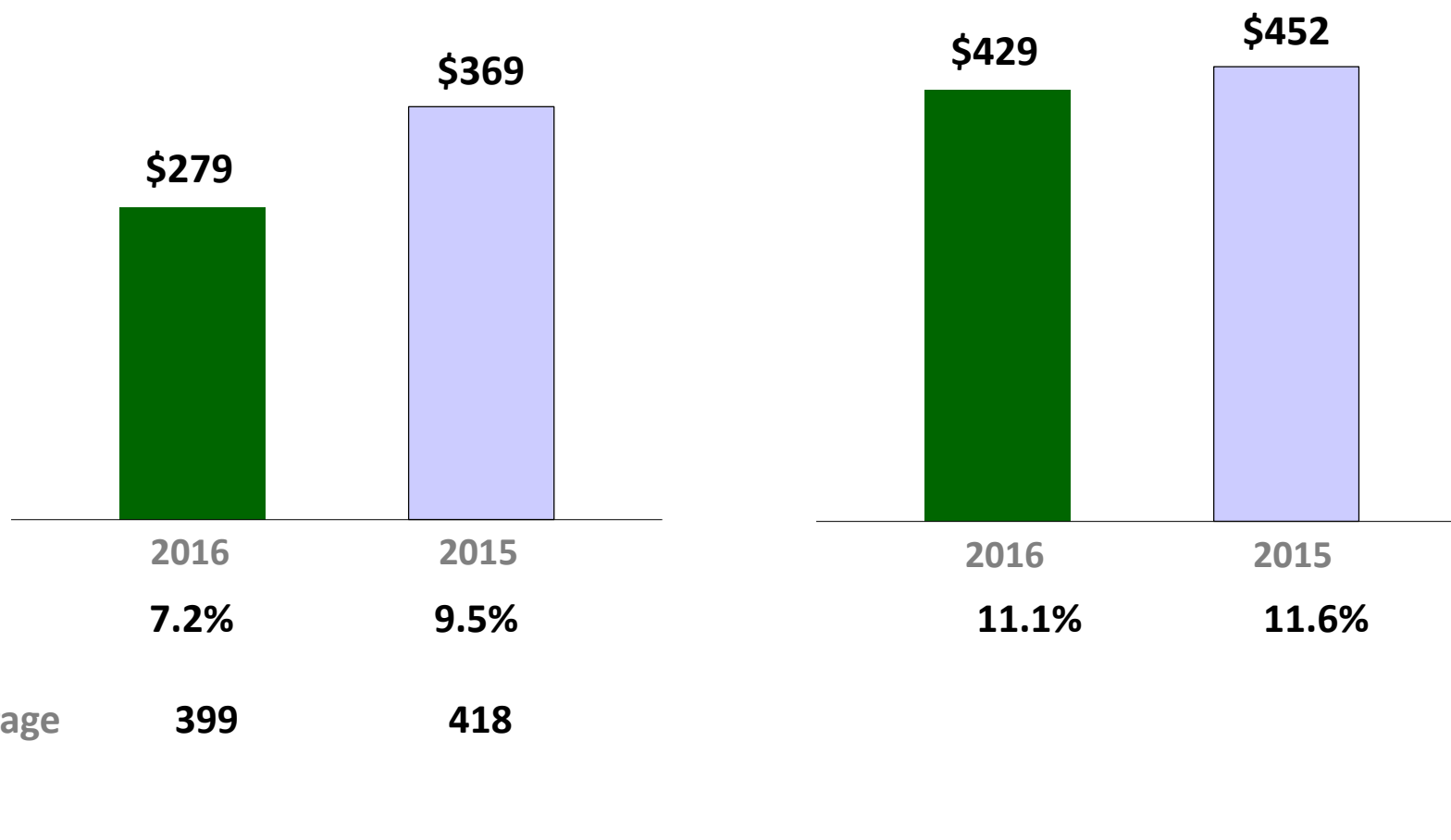
Q2 Operating Income

(In Millions)

Gap Inc.

Reported

Adjusted ⁽¹⁾



(1) Excludes \$150 million and \$83 million of pre-tax restructuring charges in 2016 and 2015, respectively

Balance Sheet and Cash Flow

(As of the end of Q2)

Gap Inc.

- **Total inventory down about 3 percent at the end of Q2**
- **Year-to-date free cash flow of \$464 million**
- **Ended with \$1.7 billion in cash and cash equivalents**
- **Ending share count was 398 million**

Fiscal 2016 Outlook

(As of August 18, 2016)

Gap Inc.

	2016 Guidance	
	Low End	High End
Expected adjusted earnings per share ⁽¹⁾	\$1.87	\$1.92
Estimated restructuring costs	~\$0.50 - ~\$0.45	
Expected reported earnings per share	\$1.37	\$1.47

(1) Excludes the estimated earnings per share impact of restructuring costs related to store closures, streamlining the company's operations and certain incremental tax expenses

Fiscal 2016 Outlook

(As of August 18, 2016)

Gap Inc.

Full Fiscal Year 2016

Reported Diluted Earnings per Share	\$1.37 - \$1.47
Adjusted Diluted Earnings per Share⁽¹⁾	\$1.87 - \$1.92
Company-Operated Stores:	
Net Store Closures	About 50
New Athleta Stores	About 15
New China Stores	About 25
Square Footage Change	Down about 2%
Capital Expenditures	About \$525 million
Depreciation and Amortization⁽²⁾	About \$550 million
Effective Tax Rate (Reported)	About 44%
(Adjusted)⁽³⁾	About 40%

End of Q3-16

Gap Inc. Total Inventory \$ (YoY % Change)	Down low single digits
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(1) Excludes estimated earnings per share impact of restructuring costs related to store closures, streamlining the company's operations and certain incremental tax expenses

(2) Net of amortization of lease incentives

(3) Excludes tax effect of restructuring costs

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