

The Gap, Inc.
SEC REGULATION G
UNAUDITED

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

(\$ in millions)	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
Net cash provided by operating activities	\$ 1,744	\$ 1,928	\$ 1,412	\$ 2,081	\$ 1,250	\$ 1,551	\$ 1,597
Less: purchases of property and equipment	(557)	(334)	(431)	(682)	(572)	(600)	(419)
Free cash flow (a)	<u>\$ 1,187</u>	<u>\$ 1,594</u>	<u>\$ 981</u>	<u>\$ 1,399</u>	<u>\$ 678</u>	<u>\$ 951</u>	<u>\$ 1,178</u>

(a) 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, 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.