

Report on Limited Review

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES
Interim Condensed Consolidated Financial Statements
and Interim Consolidated Directors' Report
for the First Half of 2022

REPORT ON LIMITED REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Shareholders of Industria de Diseño Textil, S.A. at the request of the Board of Directors:

Report on the interim condensed consolidated financial statements

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of Industria de Diseño Textil, S.A. (hereinafter the Parent) and Subsidiaries (hereinafter the Group), which comprise the balance sheet at July 31, 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and the explanatory notes, all condensed and consolidated, for the six-month period then ended. The Parent's Directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by International Accounting Standard (IAS) 34, "Interim Financial Reporting", adopted by the European Union for the preparation of interim condensed financial reporting in conformity with article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter come to our attention which would lead us to conclude that the accompanying interim financial statements for the six-month period ended July 31, 2022 have not been prepared, in all significant respects, in accordance with the requirements established by International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim condensed financial statements.

Emphasis paragraph

We draw attention to the matter describe in accompanying explanatory Note 1 in the interim financial statements, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended January 31, 2022. This matter does not modify our conclusion.

Report on other legal and regulatory reporting requirements

The accompanying interim consolidated directors' report for the six-month period ended July 31, 2022, contains such explanations as the Parent's Directors consider appropriate regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended July 31, 2022. Our work is limited to verifying the interim consolidated directors' report in accordance with the scope described in this paragraph and does not include the review of information other than that obtained from the accounting records of Industria de Diseño Textil, S.A. and its Subsidiaries.

Paragraph on other issues

This report has been prepared at the request of the Board of Directors of Industria de Diseño Textil, S.A. with regard to the publication of the semi-annual financial report required by Article 119 of Royal Decree 4/2015, of October 23.

ERNST & YOUNG, S.L.



Hildur Eir Jónsdóttir

September 13, 2022

INDITEX



Industria de Diseño Textil, S.A. and Subsidiaries
Interim Condensed Consolidated Financial Statements
and Interim Consolidated Directors' Report for the First Half of 2022

Translation of interim condensed consolidated financial statements originally issued
in Spanish and prepared in accordance with the regulatory financial reporting framework
applicable to the Group in Spain (see Notes 1 and 10).

In the event of a discrepancy, the Spanish-language version prevails

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Industria de Diseño Textil, S.A. and subsidiaries

Interim condensed consolidated income statement

(Amounts in millions of euros)	31/07/2022	31/07/2021
Net sales	14,845	11,936
Cost of sales	(6,251)	(5,029)
GROSS PROFIT	8,594	6,907
	57.9%	57.9%
Operating expenses	(4,550)	(3,786)
Other losses and income, net	(14)	(20)
GROSS OPERATING PROFIT (EBITDA)	4,029	3,101
Other results	(216)	-
Amortisation and depreciation	(1,382)	(1,416)
NET OPERATING PROFIT (EBIT)	2,431	1,685
Financial results	(111)	(67)
Results of companies accounted for using the equity method	21	25
PROFIT BEFORE TAXES	2,340	1,643
Income tax	(536)	(370)
NET PROFIT	1,804	1,273
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	10	1
NET PROFIT ATTRIBUTABLE TO THE PARENT	1,794	1,272
EARNINGS PER SHARE, euros	0.576	0.408

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2022.

Industria de Diseño Textil, s.a. and subsidiaries

Interim condensed consolidated statement of comprehensive income

(Amounts in millions of euros)	31/07/2022	31/07/2021
Net profit	1,804	1,273
Items that will be reclassified to the income statement in future years		
Other comprehensive income recognised directly in equity:		
Translation differences related to financial statements of foreign operations	188	50
Cash flow hedges		
Profit	10	2
Loss	-	-
Tax effect	(2)	-
Total	196	52
Transfers to the income statement:		
Cash flow hedges		
Profit	(6)	-
Loss	-	3
Tax effect	2	(1)
Total	(4)	3
Total comprehensive income for the period	1,996	1,327
Total comprehensive income attributable to:		
Equity holders of the Parent	1,986	1,326
Non-controlling interests	10	1
Total comprehensive income for the period	1,996	1,327

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2022.

Industria de Diseño Textil, S.A. and subsidiaries

Interim condensed consolidated balance sheet

(Amounts in millions of euros)	31/07/2022	31/01/2022
ASSETS		
NON-CURRENT ASSETS	15,691	15,343
Rights of use	5,060	5,224
Other intangible assets	695	589
Goodwill	205	202
Property, plant and equipment	7,744	7,481
Investment property	21	21
Financial investments	319	307
Other non-current assets	337	340
Deferred tax assets	1,310	1,179
CURRENT ASSETS	14,284	13,602
Inventories	3,672	3,042
Trade and other receivables	856	842
Income tax receivable	263	219
Other current assets	153	82
Other financial assets	43	22
Current financial investments	3,658	2,374
Cash and cash equivalents	5,640	7,021
TOTAL ASSETS	29,975	28,945
EQUITY AND LIABILITIES		
EQUITY	14,838	15,759
Equity attributable to the Parent	14,812	15,733
Equity attributable to non-controlling interests	26	26
NON-CURRENT LIABILITIES	4,999	5,157
Provisions	255	287
Other non-current liabilities	263	248
Financial debt	1	1
Lease liability	4,073	4,262
Deferred tax liabilities	407	359
CURRENT LIABILITIES	10,139	8,030
Financial debt	55	35
Other financial liabilities	21	22
Lease liability	1,568	1,562
Income tax payable	379	211
Trade and other payables	8,115	6,199
TOTAL EQUITY AND LIABILITIES	29,975	28,945

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2022.

Industria de Diseño Textil, s.a. and subsidiaries

Interim condensed consolidated statement of cash flows

(Amounts in millions of euros)	From 1 February 2022 To 31 July 2022	From 1 February 2021 To 31 July 2021
Profit before taxes and non-controlling interest	2,340	1,643
Adjustments to profit		
Amortisation and depreciation	1,382	1,416
Provisions for impairment	(5)	(24)
Results from companies consolidated by equity method	(21)	(25)
Lease financial expenses	47	48
Other	38	36
Income tax paid	(459)	(220)
Funds from operations	3,323	2,873
Variation in assets and liabilities		
Inventories	(592)	(205)
Receivables and other current assets	(107)	(241)
Current payables	190	430
Changes in working capital	(509)	(15)
Cash flows from operating activities	2,814	2,858
Payments relating to investments in intangible assets	(252)	(202)
Payments relating to investments in property, plant and equipment	(420)	(204)
Payments relating investment in other financial investments	(3)	-
Payments relating to investment in other assets	(7)	(5)
Collections relating to investment in other assets	12	20
Changes in current financial investments	(1,267)	(235)
Cash flows from investing activities	(1,938)	(626)
Payments relating to non-current financial debt	(1)	(4)
Payments relating to acquisitions of treasury shares	(61)	(71)
Changes in current financial debt	10	(5)
Leases payments fixed charge	(799)	(864)
Dividends	(1,461)	(1,090)
Cash flows used in financing activities	(2,311)	(2,034)
Net increase in cash and cash equivalents	(1,436)	198
Cash and cash equivalents at the beginning of the period	7,021	7,398
Effect of exchange rate fluctuations on cash and cash equivalents	54	16
Cash and cash equivalents at the end of the period	5,640	7,612

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2022.

Industria de Diseño Textil, S.A. and subsidiaries

Interim condensed consolidated statement of changes in equity

	Equity attributable to the Parent										
	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
Balance at 1 February 2021	94	20	14,703	221	240	(51)	(704)	(3)	14,520	30	14,550
Profit for the year	-	-	1,272	-	-	-	-	-	1,272	1	1,273
Profit distribution	-	-	(283)	250	33	-	-	-	-	-	-
Dividends distribution	-	-	18	-	(18)	-	-	-	-	-	-
Transfers	-	-	(34)	-	-	-	34	-	-	-	-
Hyperinflation and Other movements	-	-	-	1	1	-	-	-	2	-	2
Other comprehensive income for the year	-	-	-	-	-	-	50	4	54	-	54
· Translation differences related to foreign operations	-	-	-	-	-	-	50	-	50	-	50
· Cash flow hedges	-	-	-	-	-	-	-	4	4	-	4
Operations with equity holders or owners	-	-	(2,180)	24	-	(71)	-	-	(2,227)	-	(2,227)
· Treasury shares	-	-	-	-	-	(71)	-	-	(71)	-	(71)
· Share-based payments recognition	-	-	-	24	-	-	-	-	24	-	24
· Dividends	-	-	(2,180)	-	-	-	-	-	(2,180)	-	(2,180)
Balance at 31 July 2021	94	20	13,496	496	256	(122)	(620)	2	13,621	31	13,652
Balance at 1 February 2022	94	20	15,462	545	258	(122)	(529)	5	15,733	26	15,759
Profit for the year	-	-	1,794	-	-	-	-	-	1,794	10	1,804
Profit distribution	-	-	(58)	-	58	-	-	-	-	-	-
Dividends distribution	-	-	35	-	(35)	-	-	-	-	-	-
Transfers	-	-	(51)	-	-	-	51	-	-	-	-
Hyperinflation and Other movements	-	-	(30)	-	2	-	70	-	42	3	45
Other comprehensive income for the year	-	-	-	-	-	-	188	4	192	-	192
· Translation differences related to foreign operations	-	-	-	-	-	-	188	-	188	-	188
· Cash flow hedges	-	-	-	-	-	-	-	4	4	-	4
Operations with equity holders or owners	-	-	(2,895)	(45)	-	(8)	-	-	(2,949)	(13)	(2,962)
· Treasury shares	-	-	-	-	-	(61)	-	-	(61)	-	(61)
· Share-based payments recognition	-	-	-	24	-	-	-	-	24	-	24
· Share-based payments exercise	-	-	2	(70)	-	53	-	-	(15)	-	(15)
· Dividends	-	-	(2,897)	-	-	-	-	-	(2,897)	(13)	(2,910)
Balance at 31 July 2022	94	20	14,257	500	283	(130)	(220)	9	14,812	26	14,838

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2022.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see notes 1 and 10). In the event of a discrepancy, the Spanish-language version prevails.

Explanatory notes to the interim condensed consolidated financial statements at 31 July 2022

1. Basis of presentation

The interim condensed consolidated financial statements of the Inditex Group, the parent of which is Industria de Diseño Textil, S.A. ("the Group", "the Inditex Group", "the Company" or "Inditex") for the six-month period ended 31 July 2022 ("interim financial statements") were prepared in accordance with International Accounting Standard ("IAS 34"), on Interim Financial Reporting and pursuant to Article 12 of Royal Decree 1362/2007. Accordingly, they do not include all the information and additional disclosures required in a complete set of annual consolidated financial statements and, in order to be interpreted properly, they must be read in conjunction with the Consolidated Annual Accounts for the year ended 31 January 2022. These interim financial statements were prepared by the Board of Directors at its meeting held on 13 September 2022.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The six-month period ended 31 July 2022 will hereinafter be referred to as the "first half of 2022" and the six-month period ended 31 July 2021 as the "first half of 2021".

Unless otherwise stated, the amounts shown in these interim financial statements are expressed in millions of euros.

The interim condensed consolidated financial statements are presented in euros.

The interim condensed financial statements of the Inditex Group for the first half of 2022 were prepared on the basis of the accounting records of Inditex and the other Group companies.

The comparison of information in the interim financial statements refers to the six-month periods ended 31 July 2022 and 2021, except with respect to the interim condensed consolidated balance sheet, which compares 31 July 2022 with 31 January 2022.

There have been no significant changes in the consolidation scope in the first half of 2022.

The Group has a solid financial position, and a negative operating working capital as a result of the business model.

The Alternative Performance Measures (Gross Profit, EBITDA, EBIT, PBT, ROE, ROCE, operating working capital, net financial position, average net financial debt, store operating profit, quarterly results, sales growth at constant exchange rates and sales in comparable stores) are defined in the initial Note to the Consolidated Annual Accounts for 2021.

COVID-19

Almost all the Covid-related restrictions were lifted in the first half of 2022, boosting the economic recovery and reviving consumption in virtually all the markets in which the Group operates, with the exception of the new lockdowns introduced in China in the period, aimed at curbing the spread of the virus. Some challenges persist in source markets and the supply chain, although the Group continues to implement impact mitigation measures thanks to the flexibility of its sourcing model based on proximity supplies and a unique inventory position.

The comparison of the first six-month period of 2022 with the same period of the previous year is somewhat skewed by the pandemic, due to the latter's significant impact in the first quarter of 2021 as a result of restrictions on store openings in important markets for the Group.

The technological infrastructure, digitalisation initiatives and integration of the physical and digital store on which the Group's integrated strategy hinges, have enabled it to continue operating as normal in this context. Business model flexibility, efficient management of the integrated inventory, and control over operating expenses have been and continue to be crucial to the group's operational and financial performance in the period.

Ukraine conflict

As a result of the conflict in Ukraine, which began on 24 February 2022, the Group temporarily suspended operations both in Ukraine (from 24 February) and in the Russian Federation (from 5 March), as the conflict prevented normal operations throughout the region. The conflict has also compounded macroeconomic and supply chain tensions, sparking rising energy and commodity prices and spiking inflation rates.

The impact of this situation on the Group's interim condensed consolidated financial statements is detailed in Note 9.

2. Accounting policies and basis of consolidation

The accounting policies and bases of consolidation adopted for the purposes of preparing the interim condensed consolidated financial statements at 31 July 2022 are the same as applied in preparing the consolidated annual accounts for 2021. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been adopted for the first time to the financial statements of the Group's companies in Turkey, since the Turkish economy is considered to be hyperinflationary at 31 July 2022. This standard has been applied retroactively to 1 February 2022 and have not had a material impact on the interim condensed consolidated financial statements, having mean an increase in equity of 36 million euros and a negative impact on the interim condensed consolidated income statement of 18 million euros.

None of the standards and interpretations that have been adopted for the first time from 1 February 2022 have had a material impact on the Group's accounting policies.

Interpretations and amendments to standards issued by the IASB that have not yet been endorsed for application in the European Union will be adopted by the Group as soon as they become effective in the European Union, if applicable to the Group. The Group is currently analysing their impact, although based on the analyses performed to date, their adoption is not expected to have a material impact on the Group's consolidated financial statements or interim condensed consolidated financial statements.

In preparing the interim condensed consolidated financial statements at 31 July 2022 estimates were made in order to measure certain assets, liabilities, income, expenses and obligations reported herein. The estimates are affected by the sources of uncertainty. The estimates made by the Management are the same as those used in the consolidated annual accounts for 2021, and the most significant ones refer to:

- The determination of inventory costs and its net realisable value.
- The useful life of property, plant and equipment, intangible assets and investment property.
- The assessment of possible impairment losses on certain non-current, non-financial assets.
- Assessment of counterparty credit risk of financial institutions in which the Group holds Cash and cash equivalents and Current financial investments.
- With regard to lease agreements, the estimated lease term and discount rate.
- The assumptions used in the actuarial calculation of liabilities for pensions and other obligations with employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.

These estimates were made using the best information available at 31 July 2022. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In view of the business activities in which the Group companies engage, their transactions are not substantially cyclical or seasonal in nature. Therefore, no specific disclosures are included in this connection in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 31 July 2022.

3. Activity and description of the Group

Industria de Diseño Textil, S.A. with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the parent of a global group of companies present in 5 continents, in both hemispheres, North and South.

Inditex is listed on all the four Spanish stock exchanges.

Its main activity consists of offering the latest fashion trends (clothing, footwear, accessories and household textile products) to meet customer demands, using high quality and sustainability standards and at attractive prices.

Inditex carries out its activity through various retail concepts such as Zara, Zara Home, Pull & Bear, Massimo Dutti, Bershka, Stradivarius and Oysho. The Uterqüe concept was integrated into Massimo Dutti in 2021. Each concept is carried out through a store and online model, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, with the exception of certain markets where, for various reasons, the activity is performed through franchises.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The sales and design teams of Inditex are strongly focused on the customer and firmly committed to sustainability in the processes and materials used in our products. The permanent contact with stores and online teams by our team of designers, through the Product Management Department, helps them to learn about customer preferences. In addition, their active promotion and search for more sustainable materials and production processes help to raise standards of quality and to reduce the social and environmental impact of our activity.

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every retail concept throughout every season.

At 31 July 2022, the various Group concepts had stores in 95 markets with the following geographical distribution:

	Number of stores		
	Company managed	Franchises	Total
Spain	1,219	36	1,255
Rest of Europe	2,981	157	3,138
America	599	156	755
Rest of the World	490	732	1,222
Total	5,289	1,081	6,370

4. Segment reporting

The principal activity of the Inditex Group comprises the retail and online distribution of clothing, footwear, accessories and household textile products through various retail concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular retail concepts to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group Management are organised by retail concepts and geographic area.

The key business indicators, understood as those that are part of the periodic segment reporting to the Board of Directors and the Group Management, and used in the decision-making process, are the sales figure and the profit before taxes by segment.

The segment liabilities, financial results and taxes are not disclosed, as they do not form part of the key business indicators defined above, or of the segment information reported periodically to the Board of Directors and to the Group Management.

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

1H2022

	Zara/Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	10,969	1,055	2,864	(43)	14,845
Profit before taxes	1,813	128	399	-	2,340
Amortisation and depreciation	1,003	103	276	-	1,382
Segment total assets	24,446	1,575	3,954	-	29,975

1H2021

	Zara/Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	8,537	920	2,529	(50)	11,936
Profit before taxes	1,193	126	353	(28)	1,643
Amortisation and depreciation	990	114	312	-	1,416
Segment total assets	21,878	1,375	3,888	-	27,140

For presentation purposes Inditex has integrated the reporting of Zara and Zara Home into a single segment due to the existing synergies between both concepts. The goal is to leverage the operational and brand management impact of the combined store and online platform.

In addition, the retail concepts other than Zara, Zara Home and Bershka have been grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purpose of reconciliation with the interim condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the interim condensed consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the interim condensed consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the interim condensed consolidated income statement. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group Management. Inter-segment transactions are carried out on an arm's length basis.

"Segment total assets" relates to "Total Assets" in the interim condensed consolidated balance sheet.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products. Zara Home sells fashionable household products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

5. Property, plant and equipment and intangible assets

The main net additions made in the first half of 2022 amount to 848 million euros (694 million euros in the first half of 2021) and relate basically to those made in the opening of new stores or the refurbishment of existing ones, recognised under "Property, plant and equipment" in the accompanying interim condensed consolidated balance sheet.

6. Capital and reserves

Share capital

At 31 July 2022 and 31 January 2022, the Company's share capital amounted to 94 million euros and was divided into 3,116,652,000 fully subscribed and paid-in shares with an individual par value of 0.03 euros. All shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries and listed on the four Spanish stock exchanges.

However, pursuant to Article 497 of Royal Legislative Decree 1/2010, of 2 July, approving the Revised Text of the Spanish Companies Act, Inditex has contracted the daily share ownership notification service from Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear).

According to the Company's register of Shareholders and also pursuant to public information registered at the Spanish National Securities Market Commission (CNMV), at 31 January 2022 and 31 July 2022, the members of the Board of Directors directly or indirectly owned 59.375% and 59.30%, respectively, of the Company's share capital. Pontegadea Inversiones, S.L. that owns 50.010% of said shares.

Treasury shares

The Annual General Meeting held on 16 July 2019, approved a Long-Term Incentive Plan 2019-2023 (Note 26 of the consolidated annual accounts for 2019) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. Similarly, the Annual General Meeting held on 13 July 2021 approved a new Long-Term Incentive Plan 2021-2025.

At 31 January 2022, the Company owned 4,226,305 treasury shares, representing 0.136% of the share capital.

During the first half of 2022, the Company proceeded to settle the first cycle (2019-2022) of the 2019-2023 Plan and to award shares to its beneficiaries. Furthermore, pursuant to the Temporary Buyback Programme, under the authorisations in force granted by the Annual General Meeting, and in order to enable the Parent Company to meet its obligations to deliver shares to beneficiaries of the second cycle of the Long-Term Incentive Plan 2019-2023, as well as the first cycle and, if applicable, the second cycle of the Long-Term Incentive Plan 2021-2025, approved by the General Meeting of Shareholders on 13 July 2021, 2,500,000 treasury shares were acquired. Consequently, at 31 July 2022, the Company owned a total of 4,932,514, representing 0.158% of the share capital.

Dividends

The Group's dividend policy, which comprises a combination of the 60 % ordinary payout and the payment of a bonus dividend, remains in force.

On 12 July 2022, the Annual General Meeting approved the distribution of a dividend charged to profits for 2021 against the unrestricted reserves amounting to a maximum of 2,897 million euros (0.93 euros gross per share corresponding to an ordinary dividend of 0.63 euros per share and a bonus dividend of 0.30 euros (gross) per share for all the outstanding shares).

Of this amount, 0.465 euros per share were paid on 2 May 2022, as an ordinary interim dividend, and 0.465 euros (gross) per share will be paid on 2 November 2022, as an ordinary dividend and bonus dividend, through the companies holding interests in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) in which the shareholders have deposited their shares; at 31 July 2022, under the heading "Trade and other payables" on the accompanying interim condensed consolidated balance sheet, the total amount pending payment is shown.

Earnings per share

Basic earnings per share, of 0.576 euros (0.408 euros at 31 July 2021) were calculated based on number of ordinary shares outstanding during the period (3,113.2 million shares in first half of 2022 and 3,114.7 million shares in first half of 2021).

As of 31 July 2022, taking into consideration treasury shares that are subject to the long-term incentive plans, the result of calculation of diluted earnings per share does not differ from basic earnings per share.

7. Income tax

The accrued income tax expense for the first half of 2022 was calculated using the tax rate that would be applicable to the expected total annual profits or losses expected for the year, that is, the interim period income tax expense is the result of applying the estimated average annual effective tax rate to the pre-tax profit for the interim period. However, the tax effects arising from one-off events or unique transactions performed in the reporting period are taken into consideration in full in the calculation.

The income tax expense recognised in the interim condensed consolidated income statement for the period ended 31 July 2022 and 31 July 2021 was calculated by applying an effective tax rate of 22.9 % and 22.5 %, respectively.

Currently, tax audits in group companies are being carried out in different markets. The Group does not expect any significant additional liabilities to arise as a result of these audits or those that could be carried out in the future in relation to periods that are not yet statute barred.

8. Remuneration of the Board of Directors and related party transactions

Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and Senior Management of the Parent Company in the first half of 2022 is shown in the section on related party transactions.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities and associates, the significant or controlling shareholders, the members of the Board of Directors of Inditex and Senior Management of the Inditex Group, as well as their close family members.

The transactions with related parties were performed on an arm's length basis.

Inditex Group companies

The transactions between Inditex and its subsidiaries form part of the normal course of business in terms of their purpose and terms and conditions and were eliminated in full on consolidation. Therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities (group formed by the parent company Tempe S.A.) in the consolidated balance sheet:

Transactions:		
Type of company	1H2022	1H2021
Jointly controlled entities	(444)	(414)
Balances:		
	31/07/2022	31/07/2021
Current financial investments	17	7
Trade and other receivables	25	14
Non-current financial investments	302	278
Trade and other payables	353	335

The transactions with significant shareholders, members of the Board of Directors and Senior Management are detailed below.

Significant Shareholders

In the first half of 2022 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L.U. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

1H2022

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Payments related to leases	(21)
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services	5
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other income	1
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Payments related to leases	(1)

1H2021

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Payments related to leases	(18)
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services	6
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Payments related to leases	(1)

Several Inditex Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and Senior Management

The amounts indicated in the following tables referring to remuneration and termination benefits are expressed in thousands of euros in both years.

The remuneration and termination benefits due to the Directors and Senior Management of Inditex during the first half-year of 2022 are as follows:

	Thousands Euros	
	Directors	Senior Management
Remuneration	6,074	12,914
Termination benefits	22,990	1,917
Total	29,064	14,831

The amount shown in the "Directors" section includes the remuneration accrued by the Directors in office at the end of the first half of 2022 and at any time during the aforementioned period (i.e. 11+1), for their membership of the Board and of the various delegate committees, as applicable in each case. In particular, the fixed items of remuneration to the Directors in their capacity as such include the proportional amount earned by the outgoing Executive Chairman and the new Chairwoman, as well as the new fixed remuneration specific to the position of (non-executive) Chair of the Board of Directors.

It also includes the fixed remuneration accrued by the Chief Executive Officer, Mr. Óscar García Maceiras, for the performance of his executive duties during the reporting period, as well as all amounts corresponding to the settlement of ongoing incentives and the fixed remuneration of the previous Executive Chairman, as a result of his departure from the Company on 31 March 2022.

The amount specified in the "Senior Management" section refers to the fixed remuneration earned by twenty-two (22) senior executives for the performance of their duties, proportional to the time in which they have held senior management positions.

The variable remuneration earned by the members of the Board of Directors and Senior Management in 2021 has been paid during the first half of 2022 and is shown in the annual financial information of 2021. Similarly, the variable remuneration due, where applicable, to the Directors and Senior Management in 2022, and which will be subject to the approval of the Board of Directors, will be shown in the annual financial information of 2022 in progress.

In the first half of 2021 Inditex's members of the Board of Directors and Senior Management earned the following remuneration and termination benefits:

	Thousands Euros	
	Directors	Senior Management
Remuneration	3,615	9,997
Termination benefits	-	8,678
Total	3,615	18,675

The amount shown in respect of members of the Board of Directors includes the remuneration due to the eleven (11) Directors for being members of the Board, and of the delegate committees. It also includes the proportional part of the fixed annual remuneration due to the two (2) executive directors in office at the end of the first half of said year, in the performance of their executive functions.

The amount specified in the "Senior Management" section includes the fixed remuneration due to the twenty-two (22) members of Senior Management for the performance of their duties.

Similarly, the variable remuneration earned by the members of the Board of Directors and Senior Management in 2020 has been paid during the first half of 2021 and is shown in the annual financial information of 2020.

9. Other results

As a result of the Ukraine conflict, the Group halted operations in this country as of 24 February 2022 and in the Russian Federation as of 5 March 2022.

As of 31 July 2022, there were a total of 558 stores in these two markets (474 in Russia Federation and 84 in Ukraine), all of which are leased. The value of the Group's net assets in these two markets at 31 July 2022 is not material in respect of the Group's total assets.

This situation's total impact on the Group is recognised under the heading "Other results" in the interim condensed consolidated income statement, in an amount of 216 million euros, and includes the expenses incurred through 31 July 2022 (mainly personnel and lease expenses), as well as the estimated for the second half of 2022 operating expenses that the Group has decided to provision given the current context of uncertainty and the Group's decision to temporarily freeze its operations in these markets.

The Group continues to track the unfolding conflict and its potential repercussions closely.

10. Explanation added for translation to English

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

INDITEX



Industria de Diseño Textil, S.A. and Subsidiaries
Interim Consolidated Directors' Report
for the First Half of 2022

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Interim Consolidated Directors' Report

(Amounts expressed in millions of euros)

Situation of the entity

Inditex is a global fashion group operating on five continents, in the Northern and Southern hemispheres alike.

Our main activity consists of offering the latest fashion trends (clothing, footwear, accessories and household textile products) to meet customer demands, using high quality and sustainability standards and at attractive prices.

This activity is carried out through seven retail concepts: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home. The Uterqüe concept was integrated into Massimo Dutti in 2021. Each concept operates through an online and store model that is managed in a direct and integrated way, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, except in certain markets where, for several reasons, the business is carried out through franchises.

In order to offer the latest fashion trends at the right time, meeting high standards of sustainability and with the required quality, at Inditex we have developed an integrated and flexible business model that is clearly customer-oriented.

This model helps face business environment challenges. The strong competitiveness in the sector, driven by new technologies and an increasingly awareness of environmental challenges, defines a context with a constantly evolving customer profile.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every retail concept throughout every season. This system operates mainly with centralised logistics centres for every concept, where stocks are kept and which distribute the products to stores and online worldwide.

Organisational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- Annual General Meeting
- Board of Directors
- Executive Committee
- Audit and Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Compliance Supervisory Board and Compliance OFFICE
- Ethics Committee

Business performance and results**Key financial and non-financial indicators**

Inditex continues to focus on four key areas: a unique product proposition, enhancing the customer experience, sustainability, and the talent and commitment of our people.

In 1H2022, Inditex's fully integrated model had a very strong operating performance. Sales, EBITDA and net income reached historic highs.

The Spring/Summer collections were very well received by our customers. Sales reached €14.8 billion, +24.5%. Sales in constant currencies grew 25%. Sales were positive in all key geographical areas.

Over 1H2022, Inditex's traffic and store sales increased markedly and continue to do so, with store differentiation being key to this dynamic. Online sales progressed satisfactorily and were positive in 2Q2022. Online sales are expected to exceed 30% of total sales by 2024.

In 1H2022, openings have been carried out in 24 markets. At the end of the period, Inditex operated 6,370 stores.

Total stores by concept is included in the table below:

Concept	31 July 2022	31 July 2021
Zara	1,946	1,979
Zara Kids	54	73
Zara Home	458	509
Pull&Bear	866	864
Massimo Dutti	617	654
Bershka	969	987
Stradivarius	920	931
Oysho	540	575
Uterqüe	-	82
Total	6,370	6,654

Net sales by concept in 1H2022 and 1H2021 are shown in the table below:

	1H2022	1H2021	22/21
Zara (Zara & Zara Home)	10,927	8,488	29%
Pull&Bear	936	786	19%
Massimo Dutti	721	654	10%
Bershka	1,055	919	15%
Stradivarius	913	782	17%
Oysho	293	305	(4)%
Total	14,845	11,936	24.5%

Inditex continues to roll out its global sales platform. Store and online sales by geographical area are shown in the table below.

Area	1H2022	1H2021
Europe ex-Spain	46.3%	46.1%
Americas	20.1%	17.3%
Asia & RoW	19.4%	22.5%
Spain	14.2%	14.1%
Total	100%	100%

In 1H2022, the execution of the business model was very strong. Gross profit increased 24.5% to €8.6 billion. The gross margin reached 57.9% (+2 bps), the highest in 7 years. Based on current information, Inditex expects a stable gross margin (+/-50 bps) for 2022.

The control of operating expenses has been rigorous. Operating expenses increased by 20%, below sales growth.

In 1H2022, EBITDA increased 30% to €4 billion. Inditex has provisioned all expected expenses for FY2022 in the Russian Federation and Ukraine. An extraordinary charge of €216 million was recorded in the 1Q2022 accounts under Other results

EBIT increased 44% to €2.4 billion and PBT 42% to €2.3 billion.

A breakdown of financial results can be found in the table below:

	1H2022	1H2021
Net financial income (losses)	(1)	(9)
Lease financial expenses	(47)	(48)
Foreign exchange gains (losses)	(64)	(11)
Total	(111)	(67)

The tax rate applied to the 1H2022 results is the best estimate for the fiscal year 2022 based on available information.

Net income increased 41% to €1.8 billion.

Issues relating to sustainability and employees

During the first half of FY2022, there have been no significant events and/or changes in terms of sustainability and employees, in relation to the content of the heading for the consolidated Directors' Report for 2021 financial year that ended on 31 January 2022, which contains the "Statement on Non-Financial Information" of the Inditex Group.

In any case, the consolidated Directors' Report for FY2022, under the heading "Statement on Non-Financial Information", will contain full information on the sustainability and employee issues of the Inditex Group, referring to the current FY2022.

Liquidity and capital resources

Given the strong execution of the business model cash from operations has grown significantly. The net cash position grew 15% to €9.2 billion.

	31 July 2022	31 July 2021
Cash & cash equivalents	5,640	7,611
Short term investments	3,658	417
Current financial debt	(55)	(5)
Non current financial debt	(1)	(1)
Net financial cash (debt)	9,242	8,023

In the face of possible supply chain tensions going into 2H2022, Inditex has temporarily accelerated Autumn/Winter inventory inflows in order to increase product availability without any change to commitment levels. Due to this reason, inventory as of 31 July 2022 increased 43%. The Autumn/Winter inventory is considered to be of high quality and is consistent with the strong sales trends in previous quarters and the sales performance going into the 2H2022. As of 11 September 2022, inventory levels were 33% higher.

	31 July 2022	31 July 2021
Inventories	3,672	2,563
Receivables	856	840
Payables	(8,494)	(6,583)
Operating working capital	(3,967)	(3,180)

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group has credit facilities available that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

Commitments exist in relation to investments in future store openings in the present year, the amount of which is included in the figure for capital expenditure detailed under "Information on the outlook for the Group".

Main risks and uncertainties

In order to facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organisation as a whole. Accordingly, the Group defines a risk as 'any potential event that may have a negative impact on the achievement of the business objectives'.

The risks reviewed are classified and grouped in the following categories:

1. Financial risks

Financial risks are threats originating in the macroeconomic sphere, financial markets, global value chains and industry- or company-specific events that may prevent the proposed objectives from being attained.

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes market risk, foreign exchange rate risk, counterparty risk, inflation and risk relating to raw material price increases, economic contraction and the competitive environment.

The euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e., in euros, it is exposed to foreign exchange translation risk resulting from all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The Group is exposed to counterparty risk from its suppliers of goods and services, as well as from its customers and business partners which could impact the normal performance of some of its operations. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through a credit card. There are therefore no significant concentrations of credit risk. The financial solvency of the Group's most important third parties is analysed and monitored as part of an analysis process that also encompasses legal, compliance, reputational and other aspects. The Group is also exposed to the risk that counterparties (mainly financial) fail to comply with their obligations in relation to investing the Company's liquidity, credit policies or other funding and guarantee vehicles, as well as the derivative instruments arranged to hedge financial risks.

Interest rate and liquidity risk are also assessed. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum, also taking into account sovereign or jurisdiction risk. Consideration is also given to the potential impact of inflation affecting costs linked to the acquisition of goods and services. The current inflationary trends are significantly affecting interest rate performance in some of the Group's most important markets. As a result, the profitability outlook for the Group's cash, which had been exposed to the potential risk of negative returns, should tend to improve. Interest rate developments may lead to episodes of volatility in some of the sales and supply markets. It is worth noting the increase in the price of the many raw materials consumed directly and indirectly in the Group's operations and in its procurement of goods and services. The Group is monitoring the evolution of the raw material markets. It actively manages their impact, taking advantage of the flexibility of our business model, which enables the diversification of sources and the adaptability of the value chain based on expected demand forecasting.

Lastly, this category includes risks relating to the competitive environment, meaning the difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. It consists of the Group's possible inability to follow and respond to changes in its target market or to adapt to new situations in its supply or distribution countries, considering the difficulties involved in recognising and taking on board the ongoing changes in fashion trends, and in manufacturing, supplying and marketing new items that meet customer expectations. The optimal achievement of business objectives may be shaped by a decline in consumption resulting from an economic downturn, whether global or limited to one or more of the markets in which the Group operates.

2. Geopolitical Risks

Geopolitical risks arise from a deterioration in the political situation, society's crime levels, changes in the ideology, leadership and regulation of its authorities, politically motivated conflicts at home or between nation states that threaten operations or forecast performance.

Potential instability in the territories where the Group's supply chains are located, as well as where products are marketed, is a significant risk. Sometimes instability manifests itself through frictions that hinder the normal movement of goods during the transport process, whether due to political instability, infrastructure saturation, or constraints, especially on key routes, which generate bottlenecks due to supply-demand imbalances that limit access to transport and/or erode business margins.

The business model is based on a value chain with multiple geographic origins. The Group's integrated sales model enables it to operate in more than two hundred markets, which ensures a significant level of diversification and resilience. As a result of its broad geographic presence, the Group is directly or indirectly exposed to multiple legislations in the countries where it operates (tax, customs, labour, trade and consumer, industrial and intellectual property, personal data protection and privacy regulations, as well as regulatory risks of a criminal nature, crimes related to corruption, fraud and bribery, cybersecurity and environmental legislation, among others. Regulatory changes, as well as differing or even divergent treatment of legal facts in different jurisdictions, expose the Group to potential negative effects of a financial, compliance and/or reputational nature.

As a result of the Ukraine war, the Group's operations in Ukraine and the Russian Federation remain temporarily suspended. It continues to track the unfolding conflict and its complex repercussions closely, and to put in place plans to mitigate its impact, especially in relation to its workforce in the affected markets.

3. Technological Risks

The technological risk category includes targeted cyber-attacks, collapse of critical infrastructure, industrial accidents with direct or indirect impacts, as well as the inability to adapt to technological advances.

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyberattacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

These risks may significantly affect the normal functioning of the Group's operations. Some of the operational risks are concentrated at logistics centres and at third-party operators transporting goods. The concepts' clothing, footwear, accessories and household products are distributed from different logistics centres, owned by the Group and operated by third parties, located throughout Spain and complemented by a logistics connection hub in the Netherlands. There are additional smaller logistics centres located in other countries and operated by third parties which carry out small scale distribution operations.

The ability to adapt to technological innovations and evolutions in a broad sense, and digitalisation, both in customer interaction through the development of a satisfactory omni-channel experience, as well as in the improvement of operational processes, is essential to ensure the Group's commercial success in a highly competitive environment.

4. Environmental Risks

Environmental risks are risks associated with natural disasters, climate change and the interactions resulting from human exploitation of the environment.

Key operations pertaining to business and transport processes could be paralysed as a result of natural disasters (floods, fires, earthquakes, etc.), especially if they affect the Group's critical infrastructures. The Group's performance is exposed to the potential impact of climate change in its various manifestations of physical risk, whether chronic or acute, as well as the risks resulting from the transition to a low-carbon economy.

In this regard, significant changes in weather cycles may affect consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others. There are potential financial and reputational risks associated with the nature, speed and focus of policy, legal, technological and market changes as society transitions to a low-carbon economy.

There is also a risk arising from the potential adverse effects of the Group's value chain due to the discharge of undesirable or hazardous substances into the environment, or potentially resulting in the loss of biodiversity, deforestation, soil degradation, shortage of raw materials, among others.

5. Social Risks

The category of social risks includes risks arising from socio-economic trends in societies, including the evolution of preferences, social norms, demographics, as well as the prevalence of diseases and the development of public healthcare systems.

Human resource-related risks pertain to the potential dependency on key personnel, the inability to adapt the organisational culture with the required speed and flexibility to the needs of staff in a new and complex environment, where the sustainability of human capital becomes more relevant and which aims to ensure the quality of employment, health and well-being of staff, work-life balance, diversity, teleworking culture, etc.

This category includes the risk of infectious diseases. It corresponds to the potential disruption caused by a local, regional or global pandemic as a result of infectious diseases against which there is little or no pre-existing immunity in the human population. The disruptions resulting from the Covid-19 pandemic have gradually disappeared in most of the markets where the Group operates, although there have been some sporadic store closures or limitations due to occasional restrictions.

Lastly, this category also includes risks which have a direct influence on the perception of the Group by its stakeholders (customers, employees, shareholders and suppliers) and society in general. They arise from the possibility of the inappropriate management of issues relating to corporate ethics, social and environmental sustainability, responsibility for the health and safety of the products, the corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach or good practices that might have an impact on the Organisation's reputation.

6. Governance risk

Governance risks include a set of risks of a different nature. These include non-compliance by the Company, and in particular by its Board of Directors and Senior Management, with the law, good governance guidelines and best

practices, and the commitments that Inditex voluntarily undertakes as a business, as well as the risks resulting from the tactical and strategic decisions of the Group's management that may result in the non-fulfilment of the business objectives of the functional areas or of the Group, as well as risks of corruption or damage to the Company's reputation.

Risk management in the Group is a process promoted by the Board of Directors and Senior Management and is the responsibility of all members of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved as a response to the social and environmental challenges, furnishing all stakeholders with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Integrated Risk Management System ('IRMS') is based on the Risk Management and Control Policy, which sets out the basic principles, key risk factors and the general framework for risk management and control.

The Risk Management and Control Policy is implemented and complemented by specific policies and internal regulations relating to certain units or areas of the Group. Among the internal policies and regulations developed and implemented by these areas to manage the different types of risks, the following are especially notable: Investment Policy, External Financing Policy, Payments Management Policy, Financial Risk Management Policy, Insurable Risk Management Policy, Code of Conduct and Responsible Practices, Criminal Risk Prevention Policy, Internal Regulations for Conduct in the Securities Markets, Code of Conduct for Manufacturers and Suppliers, Occupational Health and Safety Policy, Sustainability Policy, Information Security Policy, Purchasing and contracting Policy, Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisers, Policy and Procedure on Representatives and Attorneys, Human Rights Policy, Diversity and Inclusion Policy, Compliance Policy, Tax Strategy and Tax Policy, Anti-Money Laundering and Terrorist Financing Policy, Due Diligence Policy, Conflicts of Interest Policy, Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies, and Policy on Dealings with Public Servants.

For more details, see Section E "Risk control and management systems" of the Annual Corporate Governance Report for 2021.

Events after the reporting period

No significant events have occurred since the reporting date.

Information on the outlook for the Group

The Autumn/Winter collections have been very well received by our customers.

Store and online sales in constant currency between 1 August and 11 September 2022 increased 11% versus the record period in 2021.

Inditex continues to see strong growth opportunities. Our key priorities are to continually improve the product proposition; to enhance the customer experience; to maintain our focus on sustainable; and to preserving the talent and commitment of our people. Prioritising these areas will drive long-term organic growth.

The flexibility and responsiveness of the business in conjunction with in-season proximity sourcing allows a rapid reaction to fashion trends and allows us to enjoy a unique market position. Our business model has great growth potential going forward.

At current exchange rates Inditex expects a +0.5% positive currency impact on sales in FY2022.

Online sales are expected to exceed 30% of total sales by 2024.

In 2022, Inditex expects a stable gross margin (+/-50 bps).

The future growth of the Group is underpinned by the investment in our stores, the advances made to the online sales channel and the improvements to our logistics platforms with a clear focus on innovation and technology. We estimate investments in 2022 of around €1.1 billion.

Sustainability is a key part of Inditex's strategy. As per the Sustainability Roadmap Goals, Inditex is on track to deliver upon all of the targets set for 2022, 2023 and 2025.

R&D+I activities

The Inditex Group carries out research, development and innovation activities in all areas of its business with the aim of improving the manufacturing and distribution processes and developing technologies that facilitate business management, either using its own resources or with the help of third parties. In particular, special mention is made of designing garments, accessories and household goods, logistics and activities related to point-of-sale technology, inventory management and administration systems, delivery systems in the distribution centres, in-store communication systems, garment labelling systems and lastly the activity related to the digital transformation of the business.

Acquisition and sale of treasury shares

The Annual General Meeting held on 16 July 2019, approved a Long-Term Incentive Plan 2019-2023 (Note 26 of the consolidated annual accounts for 2019) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. Similarly, the Annual General Meeting held on 13 July 2021 approved a new Long-Term Incentive Plan 2021-2025.

At 31 January 2022, the Company owned 4,226,305 treasury shares, representing 0.136% of the share capital.

During the first half of 2022, the Company proceeded to settle the first cycle (2019-2022) of the 2019-2023 Plan and to award shares to its beneficiaries. Furthermore, pursuant to the Temporary Buyback Programme, under the authorisations in force granted by the Annual General Meeting, and in order to enable the Parent Company to meet its obligations to deliver shares to beneficiaries of the second cycle of the Long-Term Incentive Plan 2019-2023, as well as the first cycle and, if applicable, the second cycle of the Long-Term Incentive Plan 2021-2025, approved by the General Meeting of Shareholders on 13 July 2021, 2,500,000 treasury shares were acquired. Consequently, at 31 July 2022, the Company owned a total of 4,932,514, representing 0.158% of the share capital.

Other salient information

Stock market information

Inditex's market share price stood at 23.69 euros per share at 31 July 2022, a decrease of 11% since the beginning of the year, while the Ibex 35 index fell by 5% in the same period. The average daily trading volume was approximately 5.3 million shares.

Inditex's market capitalisation stood at 73,833 million euros at the end of the six-month period, up 706% on its capitalisation when its shares were admitted to trading on 23 May 2001, as compared with a 15% decrease in the Ibex 35 index in the same period.

Dividends policy

The Group's dividend policy, which comprises a combination of the 60 % ordinary payout and the payment of a bonus dividend, remains in force.

On 12 July 2022, the Annual General Meeting approved the distribution of a dividend charged to profits for 2021 against the unrestricted reserves amounting to a maximum of 2,897 million euros (0.93 euros gross per share corresponding to an ordinary dividend of 0.63 euros per share and a bonus dividend of 0.30 euros (gross) per share for all the outstanding shares).

Of this amount, 0.465 euros per share were paid on 2 May 2022, as an ordinary interim dividend, and 0.465 euros (gross) per share will be paid on 2 November 2022, as an ordinary dividend and bonus dividend, through the companies holding interests in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) in which the shareholders have deposited their shares; at 31 July 2022, under the heading "Trade and other payables" on the accompanying interim condensed consolidated balance sheet, the total amount pending payment is shown.

Other disclosures

Related party transactions

Related party transactions are described in Note 8 to these interim condensed consolidated financial statements. The Company did not carry out any related party transactions during the year that substantially affected its financial position or results.

Risk and uncertainties

Other than those described above, there are no significant risks or uncertainties for the second half of 2022.

Alternative performance measures

The Alternative Performance Measures (Gross Profit, EBITDA, EBIT, PBT, ROE, ROCE, operating working capital, net financial position, average net financial debt, store operating profit and quarterly results, Sales growth at constant exchange rates and sales in comparable stores) are defined in the initial Note to the Consolidated Annual Accounts for 2021.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. These statements are based on the Company's best estimates according to the information available to it at the date of this document, but in no way constitute guarantees of future performance. The aforementioned intentions, expectations or projections may be subject to risks and uncertainties and other significant factors which might cause actual outcomes to differ from those anticipated. Consequently, there is a risk of placing undue trust in such future intentions, expectations or projections.

The risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, the market situation and macroeconomic, regulatory and legal conditions, exchange rate fluctuations, the emergence of infectious diseases such as Covid-19, technological risks, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward-looking statements in the event that any unforeseen changes or events arise which might affect them, unless legally so required.