

INDITEX

Interim Half Year 2023 Results

1 February 2023 to 31 July 2023

- / In 1H2023, Inditex continued with a very robust operating performance due to the creativity of the teams and the strong execution of the fully integrated business model
- / Óscar García Maceiras, CEO, "The 1H2023 results demonstrate that the talent of our teams continues to consolidate the improvements in the performance of our business model. The ongoing commitment to creativity, quality and customer experience, as well as the determined progress in sustainability, drives a strategy that is taking our business to the next level"
- / The Spring/Summer collections have been very well received by our customers. Sales grew +13.5% over 1H2022 to reach €16.9 billion, showing very satisfactory development both in stores and online. Sales were positive in all geographical areas and in all concepts. Sales in constant currency grew 16.6%
- / Gross profit increased 14.1% to €9.8 billion. The gross margin reached 58.2% (+27 bps versus 1H2022)
- / All expense lines have shown a favourable evolution. Operating expenses increased 12.5%, below sales growth
- / EBITDA increased 15.7% to €4.7 billion
- / EBIT increased 30.2% to €3.2 billion and PBT 39% to €3.3 billion
- / Net income increased 40.1% to €2.5 billion
- / Strong cash flow generation. Lease adjusted funds from operations grew 35.4%, and cash from operations increased 57.4%
- / The net cash position grew 14.1% to €10.5 billion versus the same period last year
- / The FY2022 final dividend of €0.60 per share will be paid on 2 November 2023
- / Autumn/Winter collections have been very well received by our customers. Store and online sales in constant currency between 1 August and 11 September 2023 increased 14% versus the same period in 2022

Interim Half Year 2023: Very strong operating performance

In 1H2023, Inditex continued with a very robust operating performance due to the creativity of the teams and the strong execution of the fully integrated business model.

The Spring/Summer collections have been very well received by customers. Sales grew 13.5% over 1H2022 to reach €16.9 billion, showing very satisfactory development both in stores and online. Sales were positive in all geographical areas and in all concepts. Sales in constant currency grew 16.6%.

In 1H2023, openings have been carried out in 20 markets. At the end of the period Inditex operated 5,745 stores. A list of total stores by concept is included in Annex I.

Net sales by concept in 1H2023 and 1H2022 are shown in the table below.

Concept	31 July 2023	31 July 2022	23/22
Zara (Zara and Zara Home)	12,362	10,927	13.1%
Pull&Bear	1,042	936	11.4%
Massimo Dutti	842	721	16.8%
Bershka	1,184	1,055	12.3%
Stradivarius	1,075	913	17.7%
Oysho	346	293	18.3%
Total	16,851	14,845	13.5%

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

Area	1H2023	1H2022
Europe ex-Spain	47.8%	46.3%
Americas	19.4%	20.1%
Asia & RoW	18.4%	19.4%
Spain	14.4%	14.2%
Total	100%	100%

In 1H2023, the execution of the business model was very strong. Gross profit increased 14.1% to €9.8 billion. The gross margin reached 58.2% (+27 bps). Based on current information, Inditex expects a stable gross margin (+/-50 bps) for 2023.

All expense lines have shown a favourable evolution. Operating expenses increased 12.5%, below sales growth. Including all lease charges, operating expenses grew 220 bps below sales growth.

EBITDA increased 15.7% to €4.7 billion.

EBIT increased 30.2% to €3.2 billion and PBT 39% to €3.3 billion. As a reminder, in 1Q2022, Inditex reported a provision for expected expenses for FY2022 in the Russian Federation and Ukraine of €216 million under Other results.

Annex II includes a breakdown of the Financial Results.

The tax rate applied to the 1H2023 results is the best estimate for the fiscal year 2023 based on available information.

Net income increased 40.1% to reach €2.5 billion.

Given the execution of the business model, Inditex generated strong cash flow. Lease adjusted funds from operations grew 35.4%, and cash from operations increased 57.4%.

Million Euros	1H2023	1H2022
Funds from Operations(*)	3,416	2,524
Change in working capital	(245)	(509)
Cash from Operations	3,171	2,015
Capital expenditure	(808)	(672)
Free Cash Flow	2,363	1,343

*The cash lease payments fixed charge has been added back.

The net cash position grew 14.1% to €10.5 billion at the end of 1H2023 versus the same period last year.

Million Euros	31 July 2023	31 July 2022
Cash & cash equivalents	7,177	5,640
Short term investments	3,380	3,658
Current financial debt	(11)	(55)
Non current financial debt	0	(1)
Net financial cash (debt)	10,546	9,242

Due to the robust operating performance over 1H2023 and the normalisation in supply chain conditions, inventory was 6.9% lower as of 31 July 2023 versus the same date in 2022. Collections are considered to be of high quality.

Million Euros	31 July 2023	31 July 2022
Inventories	3,420	3,672
Receivables	1,012	856
Payables	(9,140)	(8,494)
Operating working capital	(4,708)	(3,967)

Start of 2H2023

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 2023 increased 14% versus the same period in 2022.

Outlook

Inditex continues to see strong growth opportunities. Our key priorities are to continually improve the fashion proposition, to enhance the customer experience, to increase our focus on sustainability and to preserve the talent and commitment of our people. Prioritising these areas will drive long-term growth. To take our business model to the next level and extend our differentiation further we are developing several initiatives in all key areas for the coming years.

The creativity of our teams and the flexibility of the business model in conjunction with in-season proximity sourcing allows a swift reaction to customer demand. This situation results in a unique market position which provides our business model with great growth potential going forward.

Inditex operates in 213 markets with low share in a highly fragmented sector and we see strong growth opportunities. We expect increased sales productivity in our stores going forward. The growth of gross space in 2023 will be around 3%. Optimisation of stores is ongoing. Inditex expects space contribution to sales to be positive in 2023. We continue to see a very satisfactory evolution of online sales and an increasing participation in the Group total. At current exchange rates, Inditex expects a -3.5% currency impact on sales in FY2023.

In FY2023, Inditex expects a stable gross margin (+/-50 bps).

For FY2023, we are making investments that are scaling our capabilities, generating efficiencies, and increasing our competitive differentiation to the next level. We estimate ordinary capital expenditure of around €1.6 billion.

/ Fashion proposition

We continue focusing on the creativity, innovation, design and quality of all our collections and integrated sales channels, while reinforcing the commercial initiatives of all our concepts. Zara's The Steven Meisel New York Collection, Zara Home Stripes&Overtones, Massimo Dutti Studio, Pull&Bear Pacific Republic, Bershka Denim, Stradivarius AW23 and Oysho Training are just some of the creative proposals available through the second half of 2023.

/ Customer experience

To continue offering the best customer experience both in our stores and on our online platforms we are developing several initiatives:

- The new store design for Zara created by our Architectural Studio is featured in openings, enlargements or relocations such as Paris Hotel de Ville, Rotterdam Coolingsel, Dubai Mall of the Emirates, Miami Dadeland, Sao Paulo Patio Higienopolis and Shenyang Joy City.
- We continue optimising our store presence with important enlargements in all concepts, with key examples like Bershka's Milan Vittorio Emanuele and Stradivarius' Barcelona Paseo de Gracia.
- The hardware for the new security technology in stores to eliminate hard tags has been installed in Zara stores globally. Test operations started in the 2023 Autumn/Winter season with full implementation by FYE2024.

/ Sustainability

Sustainability is a key part of Inditex's strategy. The Group is moving towards a more sustainable model, reducing the environmental footprint of products and taking new steps to becoming a company that generates positive impacts on people and the planet.

We are making progress in meeting all the objectives set for the period 2023 to 2025. As highlighted at the Annual General Meeting of July 2023, new objectives were announced in the roadmap for the remainder of the decade, on our way to net zero emissions in 2040:

2025

- Circularity services such as Zara Pre-Owned in key markets.
- Reach three million people in the supply chain through the Worker at the Center strategy, promoting advances in the areas of social dialogue, living wages, health, respect and resilience.

2030

- Reduce our emissions by more than 50% (including our own operations and value chain).
- Use only textile raw materials that have a lower impact - denominated as preferred*. We estimate that around 25% of the textile fibres we use will be made from next generation materials that do not yet exist at an industrial scale. We aim to have 40% of the textile fibres we use come from conventional recycling processes. Another 25% will come from crops grown using organic or regenerative farming practices and the remaining 10% will be made from other preferred fibres.

- Five million hectares protected, restored, regenerated, or under other forms of management for the improvement of biodiversity.

2040

- Zero net emissions, reducing at least 90% of our carbon footprint compared to 2018.

In terms of circularity, we continue the deployment of the Zara Pre-owned platform. Since 7 September customers in France have access to a platform integrated into the Zara website and app to extend the life of their products through donation, repair and resale.

/ People

We are promoting the talent and commitment of our teams in order to reinforce our attractiveness as a benchmark employer.

As an example, the Sustainable Fashion School (SFS) is a space dedicated to training and innovation in sustainability. Our objective is to be an engine of transformation in the textile industry. Inditex has established an academic course in textile processing exclusively for our employees, developed in conjunction with the University of Leeds. The aim is to keep on providing our design and purchasing teams with a solid base of technical knowledge, covering the entire product life cycle. This course has now been completed by more than 1,500 employees across the Group, exceeding 75,000 hours of training.

*The non-profit organisation Textile Exchange defines preferred materials as "fibers or raw materials that deliver beneficial results and impacts for the climate, nature and people through a holistic approach transforming fibre and raw material production systems."

Dividends

The FY2022 final dividend of €0.60 per share will be paid on 2 November 2023.

For additional information:

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Consolidated Financial Statements

Inditex Group		
1H2023 Consolidated Income Statement (€m)		
	1H2023	1H2022
Net sales	16,851	14,845
Cost of sales	(7,050)	(6,251)
Gross profit	9,801	8,594
<i>Gross margin</i>	<i>58.2%</i>	<i>57.9%</i>
Operating expenses	(5,116)	(4,550)
Other net operating income (losses)	(22)	(14)
Operating cash flow (EBITDA)	4,663	4,029
<i>EBITDA margin</i>	<i>27.7%</i>	<i>27.1%</i>
Other results	0	(216)
Amortisation and depreciation	(1,498)	(1,382)
Operating income (EBIT)	3,164	2,431
<i>EBIT margin</i>	<i>18.8%</i>	<i>16.4%</i>
Financial results	54	(111)
Results from companies consolidated by equity method	34	21
Income before taxes	3,252	2,340
<i>EBT margin</i>	<i>19.3%</i>	<i>15.8%</i>
Taxes	(732)	(536)
Net income	2,520	1,804
Minorities	7	10
Net income attributable to the controlling company	2,513	1,794
<i>Net income margin</i>	<i>14.9%</i>	<i>12.1%</i>
Earnings per share, Euros (*)	0.807	0.576

(*) Shares for EPS calculation 3,112,599,658 for 2023 and 3,113,203,521 for 2022

Inditex Group
Consolidated Balance Sheet as of 31 July 2023 (€m)

	31 July 2023	31 July 2022
Assets		
Non Current Assets	16,048	15,691
Right of use	4,933	5,060
Intangible assets	1,324	900
Tangible assets	7,864	7,765
Financial investments	390	319
Other	1,537	1,647
Current Assets	15,273	14,284
Inventories	3,420	3,672
Receivables	1,012	856
Short term investments	3,380	3,658
Cash & cash equivalents	7,177	5,640
Other	284	459
Total Assets	31,321	29,975
Total Liabilities & Shareholders' Equity		
Shareholders' Equity	15,786	14,838
Equity attributable to the Group	15,754	14,812
Minority interests	31	26
Non Current Liabilities	4,837	4,999
Deferred taxes	400	407
Financial debt	(0)	1
Lease liability	3,942	4,073
Other	494	518
Current Liabilities	10,698	10,139
Financial debt	11	55
Lease liability	1,510	1,568
Payables	9,140	8,494
Other	37	21
Total Liabilities & Shareholders' Equity	31,321	29,975

Grupo Inditex
1H2023 Consolidated Statement of Cash Flows (€m)

	1H2023	1H2022
Income before taxes	3,252	2,340
Adjustments to income-		
Depreciation and amortization	1,498	1,382
Lease financial expenses	90	47
Other	18	12
Corporate income tax-	(585)	(459)
Funds from operations	4,273	3,323
Changes in assets and liabilities		
Change in inventories	(268)	(592)
Change in accounts receivable	(287)	(107)
Change in current liabilities	309	190
Change in working capital	(245)	(509)
Cash from operations	4,027	2,814
Intangible assets investments	(200)	(252)
Tangible assets investments	(608)	(420)
Change in other long-term financial investments	(17)	(3)
Other assets investments	6	5
Change in short-term financial investments	1,162	(1,267)
Capital expenditure	343	(1,938)
Change in long-term financial debt	0	(1)
Acquisition of treasury stock	0	(61)
Change in current debt	(2)	10
Lease payments fixed charge	(856)	(799)
Dividends	(1,868)	(1,461)
Cash used in financing activities	(2,726)	(2,311)
Change in cash and cash equivalents	1,644	(1,436)
Cash and cash equivalents at beginning of the year	5,561	7,021
Foreign exchange impact on cash & cash equivalents	(29)	54
Cash and cash equivalents at end of the year	7,177	5,640

Annex I

Number of stores by concept:

Concept	31 July 2023	31 July 2022
Zara	1,839	2,000
Zara Home	420	458
Pull&Bear	790	866
Massimo Dutti	545	617
Bershka	855	969
Stradivarius	845	920
Oysho	451	540
Total	5,745	6,370

Annex II

Breakdown of Financial results:

Million Euros	1H2023	1H2022
Net financial income (losses)	131	(1)
Lease financial expenses	(90)	(47)
Foreign exchange gains (losses)	13	(64)
Total	54	(111)

The Gross Profit, EBITDA, EBIT, PBT, ROE, ROCE, 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 Note 2 to the Consolidated Annual Accounts 2022.

Disclaimer

Neither this document nor the information contained herein constitute an offer to sell, exchange or buy, or the solicitation of an offer to buy, to sell or exchange, or any recommendation or advice regarding any securities issued by the Inditex Group.

This document may contain statements regarding intentions, expectations, estimates or forecasts. All statements other than statements of historical facts contained herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These statements represent the Company's best estimate, on the basis of the information available as at the date hereof, but do not constitute a guarantee of future performance. Any such forward-looking statements may be subject to risks, uncertainties and other relevant factors which could cause the evolution and actual results achieved to differ materially from results predicted. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements.

Some of these risks include, without limitation, financial risks, such as the macroeconomic environment of the various geographies where the Group operates, changes to market factors (including, without limitation, foreign exchange or interest rates or the price of raw materials), the financial solvency of counterparties or the competitive environment, (ii) geopolitical risks, such as instability in the different supply markets and the markets where our goods are sold, or the frictions that may hinder the normal movement of goods, (iii) social risks, such as the change in the perception of the Group or the industry by stakeholders, the emergence of infectious or contagious diseases, or labour disputes, (iv) governance risks, such as violation of laws or non-compliance with regulations or good governance recommendations, or risks resulting from tactical and strategic decisions that prevent achieving the business objectives, (v) technological risks, such as cyberattacks, collapse of critical infrastructures, industrial accidents or the fast evolution of technology, and (vi) the different environmental risks associated with natural disasters, climate change, the transition to a low – carbon economy and the interactions resulting from the human exploitation of the environment.

For a discussion of these and other factors that may affect forward looking statements and the Inditex Group's business, financial conditions and results of operations, see the documents of mandatory transparency filed by the company with the Comisión Nacional del Mercado de Valores (the Spanish Securities Market Commission). Readers are invited to review the contents of any such documents on Inditex's website (www.inditex.com).

Notwithstanding this, the risks and uncertainties that could affect the forward-looking statements are difficult to predict. Except where the prevailing regulations require otherwise, the company assumes no obligation to publicly revise or update its forward-looking statements should any unexpected changes, events or circumstances affect them.

In addition to the financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and derived from our financial statements, this document contains alternative performance measures ("APMs") as defined in the Commission Delegated Regulation (EU) 2019/979 of March 14, 2019 and in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures ("Non-IFRS Measures"). These financial measures that qualify as APMs and non-IFRS measures have been calculated with information from Inditex Group; however, those financial measures are not defined or detailed in the applicable financial reporting framework nor have been audited or reviewed by our auditors. These APMs and non-IFRS indicators are included to better understand the financial performance of the Inditex Group. However, the way they are defined and calculated by the Company may be different than other companies which rely on similar measures. Therefore, they may not be useful for comparability purposes. In any case, they should be considered supplemental information to, and are not meant to substitute IFRS measures. Please refer to the audited consolidated financial statements of the Inditex Group for fiscal year 2022, available on Inditex's website (www.inditex.com) for the definition of APMs and Non-IFRS Measures included herein.