

INDITEX

INTERIM HALF YEAR 2020 RESULTS

1 February 2020 to 31 July 2020

- ♦ Inditex continues to expand its global, fully integrated platform underpinned by the key strategic pillars of store & online integration, digitalisation and sustainability.
- ♦ Inditex remains very active in the differentiation of its store base with highly prominent projects in the coming months. Space growth for the year is on track. In 1H2020, Inditex launched online sales for Zara in Argentina, Peru, Uruguay, Paraguay, Bosnia-Herzegovina, Albania and Algeria.
- ♦ Inditex's 1H2020 performance has been materially impacted by Covid-19 with temporary store closures. Most stores reopened by the end of July, but some restrictions remain. Online sales have seen outstanding growth (+74%), benefiting from the single inventory position.
- ♦ To minimise the impact we have actively managed our supply chain, inventory and operating expenses in the period. As a result, the working capital dynamics have returned to normal. The flexibility of the business model has been key to the operational and financial performance.
- ♦ Second Quarter 2020
 - ♦ The Group's performance saw a turning point during the second quarter 2020 laying the foundation for a return to normal trading conditions.
 - ♦ Net sales reached €4.7 billion (€6.9 billion in 2Q2019).
 - ♦ Gross profit came to €2.6 billion, compared with €3.8 billion in 2Q2019. The gross margin reached 54.6% compared with 54.5% in 2Q2019.
 - ♦ Operating expenses decreased 21%. All of the main components of operating expenses have shown a good performance.
 - ♦ EBITDA was €1 billion (€1.8 billion in 2Q2019).
 - ♦ The net income was €214 million versus net income of €816 million in 2Q2019.
 - ♦ Net cash grew €734 million in 2Q2020 versus 1Q2020 close. The net cash position is €6.5bn.
- ♦ Interim Half Year 2020
 - ♦ Net sales reached €8 billion (€12.8 billion in 1H2019).
 - ♦ Online sales grew strongly at 74%.
 - ♦ Gross profit came to €4.5 billion, compared with €7.3 billion in 1H2019. The gross margin reached 56.2%, compared with 56.8% in 1H2019.

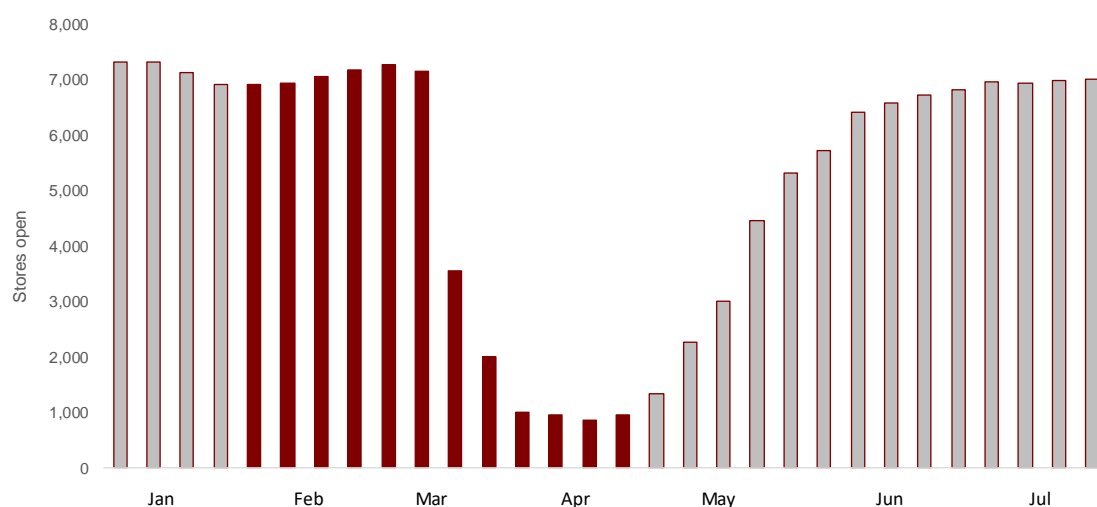
- ♦ Operating expenses decreased 21% and have been very actively managed. All of the main components of operating expenses have shown a good performance.
- ♦ EBITDA was €1.5 billion (€3.4 billion in 1H2019).
- ♦ The net income was -€195 million (€1.5 billion in 1H2019), -€0.062 per share. This includes the provision of €308 million for the completion of the store optimisation programme. Without the provision, the net income in 1H2020 would have been +€39 million.
- ♦ Due to the flexibility of the business model, inventory decreased 19% at the end of 1H2020. The closing inventory is considered to be of high quality.
- ♦ FY2019 ordinary dividend of €0.35 per share will be paid on 2 November 2020.
- ♦ Due to our unique business model, the strategic initiatives in place and the measures taken, we are seeing a rapid recovery in operations going into 2H2020. 98% of stores are now open. Store sales have been recovering progressively. Online sales continue growing at a remarkable pace.
- ♦ Store & Online sales in local currencies between 1 August and 6 September were down 11% (+8% from 1 August to 8 September 2019).

Performance in 1H2020

Inditex continues to expand its global, fully integrated platform underpinned by the key strategic pillars of store & online integration, digitalisation and sustainability.

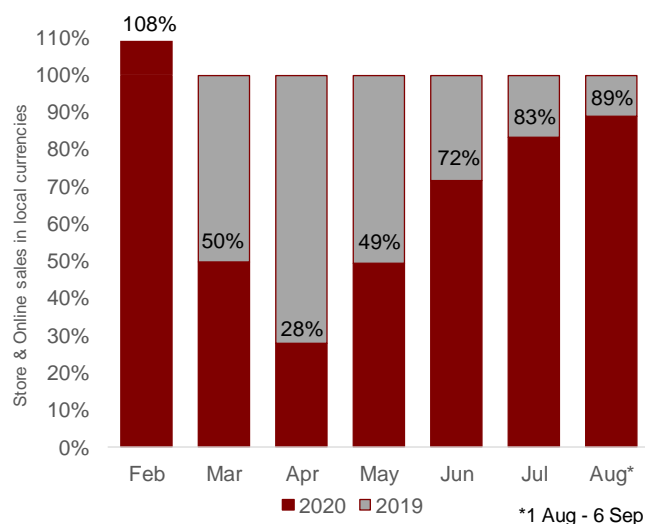
Inditex's 1H2020 performance has been materially impacted by Covid-19 with temporary store closures. Most stores reopened by the end of July, but some restrictions remain. Online sales have seen outstanding growth in 1H2020, benefiting from the single inventory position.

By the end of July, 7,026 stores (96% of total) were open. The chart below illustrates the number of stores with sales over the period on a weekly basis.



Collections for Spring/Summer were very well received by our customers. Our supply chain continued to operate normally due to the flexibility of our business model based on proximity sourcing and the single inventory position. Inventory integration proved to be pivotal during this period. We have also implemented initiatives to adjust operating expenses. The flexibility of the business model has been key to the operational and financial performance.

During the second quarter 2020 the Group's performance saw a turning point laying the foundation for a return to normal trading conditions. The chart below shows the monthly sales performance in the period versus last year.



Net sales in 1H2020 reached €8 billion (€12.8 billion in 1H2019).

Online sales grew strongly at 74% in 1H2020.

Inditex remains very active in the differentiation of its retail base. Space growth for the year is on track. In 1H2020 Inditex opened stores in 14 markets. At the end of 1H2020 Inditex operated a total of 7,337 stores. A list of total stores by concept is included in Annex I.

Net sales by concept in 1H2020 and 1H2019 are shown in the table below:

Concept	2020	2019
Zara (Zara & Zara Home)	5,532	8,895
Pull&Bear	578	873
Massimo Dutti	490	844
Bershka	692	1,080
Stradivarius	502	776
Oysho	208	301
Uterqüe	31	52
Total	8,033	12,820

Inditex operates a global sales platform. Store and online sales by geographical area are shown in the table below.

Area	2020	2019
Europe ex-Spain	48.9%	44.4%
Asia & RoW	24.4%	24.0%
Spain	14.7%	15.6%
America	12.0%	16.0%
Total	100.0%	100.0%

Gross profit came to €4.5 billion, compared with €7.3 billion in 1H2019. The gross margin reached 56.2% compared with 56.8% in 1H2019.

Operating expenses decreased 21% and have been very actively managed. All of the main components of operating expenses have shown a good performance.

EBITDA was €1.5 billion (€3.4 billion in 1H2019).

EBIT was -€198 million, compared with €2 billion in 1H2019. This includes the provision of €308 million for the completion of the store optimisation programme. Without the provision, the EBIT in 1H2020 was €110 million.

A breakdown of financial results can be found in Annex II.

The tax rate for 1H2020 is the best estimate for FY2020 according to current information.

The net income in 1H2020 was -€195 million versus net income of €1.5 billion in 1H2019, -€0.062 per share. This includes the provision of €308 million for the completion of the store optimisation programme. Without the provision, the net income in 1H2020 would have been €39 million.

The FY2019 ordinary dividend of €0.35 per share will be paid on 2 November 2020.

Inditex's liquidity position is robust. The net cash position as of 31 July 2020 amounts to €6.5 billion.

Million Euros	31 July 2020	31 July 2019
Cash & cash equivalents	4,048	4,808
Short term investments	2,451	2,006
Current financial debt	(9)	(80)
Non current financial debt	(3)	(4)
Net financial cash (debt)	6,486	6,730

As a result of the operating performance and the active management of the supply chain inventory decreased 19%. The closing inventory is considered of high quality. Due to the flexibility of the business model working capital dynamics have returned to normal.

Million Euros	31 July 2020	31 July 2019
Inventories	2,158	2,664
Receivables	667	841
Payables	(4,978)	(6,632)
Operating working capital	(2,153)	(3,127)

Global Online

In 1H2020, Inditex launched online sales for Zara in Argentina, Peru, Uruguay, Paraguay, Bosnia-Herzegovina, Albania and Algeria. In August, Zara launched online sales in Chile, Northern Macedonia and Montenegro. In September, Zara launched online sales in Tunisia and Andorra. Later this month, Zara will launch online in Costa Rica, Guatemala, Honduras and Nicaragua.

Start of 2H2020

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

Due to our unique business model, the strategic initiatives in place and the measures taken, we are seeing a rapid recovery in operations going into 2H2020. 98% of stores are now open. Store sales have been recovering progressively. Online sales continue growing at a remarkable pace.

Store & Online sales in local currencies between 1 August and 6 September were down 11% (+8% from 1 August to 8 September 2019).

Space growth in 2020 is on track. Inditex remains very active in the differentiation of its commercial space, with remarkable projects of store openings, enlargements and refurbishments in the coming months.

Total annual capital expenditure during the period 2020-2022 will be around €900m. The plan includes digital investments of c. €1bn over the three years.

We are following events closely and we remain confident in our long-term strategy.

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The interim nine months 2020 results will be published on 15 December 2020.
For additional information:

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Consolidated financial statements

Grupo Inditex		
1H2020 profit & loss statement (€m)		
	1H2020	1H2019
Net sales	8,033	12,820
Cost of sales	(3,521)	(5,536)
Gross profit	4,512	7,284
Gross margin	56.2%	56.8%
Operating expenses	(3,020)	(3,823)
Other net operating income (losses)	(6)	(14)
Operating cash flow (EBITDA)	1,486	3,447
EBITDA margin	18.5%	26.9%
Amortisation and depreciation	(1,684)	(1,407)
Operating income (EBIT)	(198)	2,040
EBIT margin	-2.5%	15.9%
Financial results	(76)	(77)
Results from companies consolidated by equity method	11	24
Income before taxes	(263)	1,987
EBT margin	-3.3%	15.5%
Taxes	65	(434)
Net income	(198)	1,553
Minorities	(3)	3
Net income attributable to the controlling company	(195)	1,549
Net income margin	-2.4%	12.1%
Earnings per share, Euros (*)	-0.062	0.498

(*) Shares for EPS calculation 3,114,787,476 for 2020 and 3,114,239,413 for 2019

Grupo Inditex		
Consolidated Balance Sheet as of 31 July 2020 (€m)		
	31 July 2020	31 July 2019
Assets		
NON CURRENT ASSETS	15,921	16,647
Right of use	5,783	5,803
Intangible assets	623	569
Tangible assets	7,615	8,436
Financial investments	250	253
Other	1,650	1,587
CURRENT ASSETS	9,796	10,594
Inventories	2,158	2,664
Receivables	667	841
Short term investments	2,451	2,006
Cash & cash equivalents	4,048	4,808
Other	472	276
TOTAL ASSETS	25,717	27,242
Total Liabilities & Shareholders' Equity		
SHAREHOLDERS' EQUITY	13,307	12,881
Equity attributable to the Group	13,277	12,848
Minority interests	30	33
NON CURRENT LIABILITIES	5,729	6,036
Deferred taxes	276	301
Financial debt	3	4
Lease liability	4,905	5,193
Other	545	538
CURRENT LIABILITIES	6,681	8,325
Financial debt	9	80
Lease liability	1,646	1,583
Payables	4,978	6,632
Other	47	30
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	25,717	27,242

Annex I

Number of stores by concept:

Concept	31 July 2020	31 July 2019
Zara	2,133	2,123
Zara Kids	116	128
Zara Home	580	588
Pull&Bear	946	970
Massimo Dutti	728	754
Bershka	1,086	1,101
Stradivarius	994	999
Oysho	665	667
Uterqüe	89	90
Total	7,337	7,420

Annex II

Breakdown of financial results:

Million Euros	1H2020	1H2019
Net financial income (losses)	4	8
Lease financial expenses	(65)	(75)
Foreign exchange gains (losses)	(15)	(10)
Total	(76)	(77)

The Gross Margin, EBITDA, EBIT, EBT, ROE, ROCE, working capital, financial position, net financial position, Store operating profit and Earnings by individual quarters are defined in the introduction to the Consolidated Annual Accounts 2019.

Disclaimer

This document is of a purely informative nature and does not constitute an offer to sell, exchange or buy, or the solicitation of an offer to buy, securities issued by any of the companies mentioned herein.

This document contains forward-looking statements. All statements other than statements of historical fact included herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. Any such forward-looking statements are subject to risk and uncertainty and thus could differ materially from actual results.

Some of these risks include, amongst others, ongoing competitive pressure in the sector, consumer tastes and spending trends, economic, political, regulatory and trade conditions in the markets where the Inditex Group is present or in the countries where the Group's products are manufactured or distributed.

The risks and uncertainties that could affect the forward-looking statements are difficult to predict. Except for the cases where the prevailing rules and regulations in force require otherwise, the company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events or circumstances that could affect them. Given the uncertainties of forward-looking statements, we caution readers not to place undue reliance on these statements.

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 and information communicated by the company to the Comisión Nacional del Mercado de Valores (the Spanish Securities Commission).

The contents of this disclaimer should be taken into account by all persons or entities.