

**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 2023**

## **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, 2023, 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, 2023 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, 2023. 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, 2023, 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, 2023. 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 100 of Law 6/2023 on Securities Markets and Investment Services, of March 17.

ERNST & YOUNG, S.L.



---

Hildur Eir Jónsdóttir

September 12, 2023

# INDITEX

A top-down view of a fashion designer's workspace. The designer, seen from the side, is using a tablet to view a digital sketch of a red double-breasted coat. The desk is covered with various items: a black pen, several hand-drawn sketches of clothing, and pieces of red fabric. The overall scene is brightly lit, emphasizing the creative and technical aspects of fashion design.

Industria de Diseño Textil, S.A. and subsidiaries

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM CONSOLIDATED DIRECTORS' REPORT FOR THE FIRST HALF OF 2023

*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*

# Index

Interim condensed consolidated income statement	3
Interim condensed consolidated statement of comprehensive income	4
Interim condensed consolidated balance sheet	5
Interim condensed consolidated statement of cash flows	6
Interim condensed consolidated statement of changes in equity	7
<b>Explanatory notes to the interim condensed consolidated financial statements at 31 July 2023</b>	<b>8</b>
1. Activity and description of the Group	8
2. Basis of presentation	8
3. Accounting policies and basis of consolidation	9
4. Segment reporting	10
5. Property, plant and equipment and intangible assets	11
6. Capital and reserves	11
7. Income tax	12
8. Remuneration of the Board of Directors and related party transactions	12
9. Other information	14
10. Explanation added for translation to English	14
<b>Interim Consolidated Directors' Report</b>	<b>1</b>

Industria de Diseño Textil, S.A. and subsidiaries

# Interim condensed consolidated income statement

<b>(Amounts in millions of euros)</b>	<b>31/07/2023</b>	<b>31/07/2022</b>
Net sales	16,851	14,845
Cost of sales	(7,050)	(6,251)
<b>GROSS PROFIT</b>	<b>9,801</b>	<b>8,594</b>
	58.2%	57.9%
Operating expenses	(5,116)	(4,550)
Other losses and income, net	(22)	(14)
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>4,663</b>	<b>4,029</b>
Other results	-	(216)
Amortisation and depreciation	(1,498)	(1,382)
<b>NET OPERATING PROFIT (EBIT)</b>	<b>3,164</b>	<b>2,431</b>
Financial results	54	(111)
Results of companies accounted for using the equity method	34	21
<b>PROFIT BEFORE TAXES (PBT)</b>	<b>3,252</b>	<b>2,340</b>
Income tax	(732)	(536)
<b>NET PROFIT</b>	<b>2,520</b>	<b>1,804</b>
<b>NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>7</b>	<b>10</b>
<b>NET PROFIT ATTRIBUTABLE TO THE PARENT</b>	<b>2,513</b>	<b>1,794</b>
<b>EARNINGS PER SHARE, euros</b>	<b>0.807</b>	<b>0.576</b>

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2023.

Industria de Diseño Textil, S.A. and subsidiaries

# Interim condensed consolidated statement of comprehensive income

(Amounts in millions of euros)	31/07/2023	31/07/2022
<b>Net profit</b>	<b>2,520</b>	<b>1,804</b>
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	(37)	188
Cash flow hedges		
Profit	-	10
Loss	(5)	-
Tax effect	1	(2)
<b>Total</b>	<b>(41)</b>	<b>196</b>
Transfers to the income statement:		
Cash flow hedges		
Profit	13	(6)
Loss	-	-
Tax effect	(2)	2
<b>Total</b>	<b>11</b>	<b>(4)</b>
<b>Total comprehensive income for the period</b>	<b>2,490</b>	<b>1,996</b>
Total comprehensive income attributable to:		
Equity holders of the Parent	2,483	1,986
Non-controlling interests	7	10
<b>Total comprehensive income for the period</b>	<b>2,490</b>	<b>1,996</b>

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2023.

Industria de Diseño Textil, S.A. and subsidiaries

## Interim condensed consolidated balance sheet

(Amounts in millions of euros)	31/07/2023	31/01/2023
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>	<b>16,048</b>	<b>15,344</b>
Rights of use	4,933	4,910
Other intangible assets	1,127	810
Goodwill	197	193
Property, plant and equipment	7,840	7,591
Investment property	24	24
Financial investments	390	334
Other non-current assets	261	278
Deferred tax assets	1,276	1,203
<b>CURRENT ASSETS</b>	<b>15,273</b>	<b>14,639</b>
Non-currents assets held for sale	-	183
Inventories	3,420	3,191
Trade and other receivables	1,012	851
Income tax receivable	141	238
Other current assets	140	85
Other financial assets	3	8
Current financial investments	3,380	4,522
Cash and cash equivalents	7,177	5,561
<b>TOTAL ASSETS</b>	<b>31,321</b>	<b>29,983</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	<b>15,786</b>	<b>17,033</b>
Equity attributable to the Parent	15,754	17,008
Equity attributable to non-controlling interests	31	25
<b>NON-CURRENT LIABILITIES</b>	<b>4,837</b>	<b>4,813</b>
Provisions	265	283
Other non-current liabilities	229	222
Lease liability	3,942	3,924
Deferred tax liabilities	400	385
<b>CURRENT LIABILITIES</b>	<b>10,698</b>	<b>8,137</b>
Financial debt	11	13
Other financial liabilities	37	46
Lease liability	1,510	1,517
Income tax payable	346	264
Trade and other payables	8,794	6,297
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>31,321</b>	<b>29,983</b>

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2023.



Industria de Diseño Textil, S.A. and subsidiaries

# Interim condensed consolidated statement of cash flows

(Amounts in millions of euros)	From 1 February 2023 to 31 July 2023	From 1 February 2022 to 31 July 2022
Profit before taxes and non-controlling interest	3,252	2,340
Adjustments to profit		
Amortisation and depreciation	1,498	1,382
Provisions for impairment	23	(5)
Results from companies consolidated by equity method	(34)	(21)
Lease financial expenses	90	47
Other	29	38
Income tax paid	(585)	(459)
<b>Funds from operations</b>	<b>4,273</b>	<b>3,323</b>
Variation in assets and liabilities		
Inventories	(268)	(592)
Receivables and other current assets	(287)	(107)
Current payables	309	190
<b>Changes in working capital</b>	<b>(245)</b>	<b>(509)</b>
<b>Cash flows from operating activities</b>	<b>4,027</b>	<b>2,814</b>
Payments relating to investments in intangible assets	(200)	(252)
Payments relating to investments in property, plant and equipment	(608)	(420)
Payments relating investment in other financial investments	(17)	(3)
Payments relating to investment in other assets	(7)	(7)
Collections relating to investment in other assets	13	12
Changes in current financial investments	1,162	(1,267)
<b>Cash flows from investing activities</b>	<b>343</b>	<b>(1,938)</b>
Payments relating to non-current financial debt	-	(1)
Payments relating to acquisitions of treasury shares	-	(61)
Changes in current financial debt	(2)	10
Leases payments fixed charge	(856)	(799)
Dividends	(1,868)	(1,461)
<b>Cash flows used in financing activities</b>	<b>(2,726)</b>	<b>(2,311)</b>
Net increase in cash and cash equivalents	1,644	(1,436)
Cash and cash equivalents at the beginning of the period	5,561	7,021
Effect of exchange rate fluctuations on cash and cash equivalents	(29)	54
<b>Cash and cash equivalents at the end of the period</b>	<b>7,177</b>	<b>5,640</b>

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2023.

Industria de Diseño Textil, S.A. and subsidiaries

## Interim condensed consolidated statement of changes in equity

(Amounts in millions of euros)	Equity attributable to the Parent										Non-controlling interests	Total equity
	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal			
<b>Balance at 1 February 2022</b>	<b>94</b>	<b>20</b>	<b>15,462</b>	<b>545</b>	<b>258</b>	<b>(122)</b>	<b>(529)</b>	<b>5</b>	<b>15,733</b>	<b>26</b>	<b>15,759</b>	
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)	
<b>Balance at 31 July 2022</b>	<b>94</b>	<b>20</b>	<b>14,257</b>	<b>500</b>	<b>283</b>	<b>(130)</b>	<b>(220)</b>	<b>9</b>	<b>14,812</b>	<b>26</b>	<b>14,838</b>	
<b>Balance at 1 de febrero de 2023</b>	<b>94</b>	<b>20</b>	<b>16,460</b>	<b>540</b>	<b>279</b>	<b>(130)</b>	<b>(244)</b>	<b>(11)</b>	<b>17,008</b>	<b>25</b>	<b>17,033</b>	
Profit for the year	-	-	2,513	-	-	-	-	-	2,513	7	2,520	
Profit distribution	-	-	(53)	-	53	-	-	-	-	-	-	
Dividends distribution	-	-	31	-	(31)	-	-	-	-	-	-	
Transfers	-	-	(50)	-	-	-	50	-	-	-	-	
Hyperinflation and Other movements	-	-	(24)	-	(2)	-	19	-	(7)	(1)	(8)	
Other comprehensive income for the year	-	-	-	-	-	-	(37)	7	(30)	-	(30)	
· Translation differences related to foreign operations	-	-	-	-	-	-	(37)	-	(37)	-	(37)	
· Cash flow hedges	-	-	-	-	-	-	-	7	7	-	7	
Operations with equity holders or owners	-	-	(3,748)	(19)	-	38	-	-	(3,729)	-	(3,729)	
· Share-based payments recognition	-	-	-	37	-	-	-	-	37	-	37	
· Share-based payments exercise	-	-	(10)	(56)	-	38	-	-	(28)	-	(28)	
· Dividends	-	-	(3,738)	-	-	-	-	-	(3,738)	-	(3,738)	
<b>Balance at 31 July 2023</b>	<b>94</b>	<b>20</b>	<b>15,130</b>	<b>521</b>	<b>298</b>	<b>(92)</b>	<b>(212)</b>	<b>(4)</b>	<b>15,754</b>	<b>31</b>	<b>15,786</b>	

The accompanying explanatory notes 1 to 10 are an integral part of these interim condensed consolidated financial statements for the first half of 2023.

# Explanatory notes to the interim condensed consolidated financial statements at 31 July 2023

## 1. 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 fashion global group of companies present in five continents, in both hemispheres, north and south, the Inditex Group (hereinafter also "the Group", "the Inditex Group", "the Company" or "Inditex").

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.

This activity is carried out through different retail concepts: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home. 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 2023, the various Group concepts had stores in 95 markets with the following geographical distribution:

	Number of stores		
	Company Managed	Franchised	Total
Spain	1,143	38	1,181
Rest of Europe	2,465	158	2,623
America	604	159	763
Rest of the World	438	740	1,178
<b>Total</b>	<b>4,650</b>	<b>1,095</b>	<b>5,745</b>

## 2. Basis of presentation

The interim condensed consolidated financial statements of the Inditex Group, the Parent of which is Industria de Diseño Textil, S.A. for the six-month period ended 31 July 2023 ("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 2023. These interim financial statements were prepared by the Board of Directors at its meeting held on 12 September 2023.

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 2023 will hereinafter be referred to as the "first half of 2023" and the six-month period ended 31 July 2022 as the "first half of 2022".

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 2023 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 2023 and 2022, except with respect to the interim condensed consolidated balance sheet, which compares 31 July 2023 with 31 January 2023.

In the first half of 2023, there were no significant changes in the consolidation scope, except for the sale to the Daher Group of all the shares in the Russian entity Joint Stock Company New Fashion (Note 9).

As a result of the conflict in Ukraine, which began in February 2022, operations in that market have remained suspended since that date.

The macroeconomic and geopolitical environment remained uncertain during the period, shaped by widespread interest rate hikes as a counterweight to inflation, leading to episodes of

stress in parts of the banking system, and uncertainty about the potential impact on global economies. So far, the advanced economies have avoided recession, but the pressure persists on the costs of goods and services needed to make our direct and indirect operations function, especially energy and, to a lesser extent, some other raw materials. In this very challenging context, once again the flexibility of our business model keeps coming to the fore.

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, 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 Note 2 to the Consolidated Annual Accounts for 2022.

### 3. Accounting policies and basis of consolidation

The accounting policies and basis of consolidation adopted in the preparation of these interim condensed consolidated financial statements at 31 July 2023 are the same as those applied in the preparation of the consolidated annual accounts for the year 2022.

None of the standards and interpretations that have been adopted for the first time from 1 February 2023 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 2023 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 2022, 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 2023. 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 first half of 2023.

## 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 Inditex Group segment information is as follows:

### 1H 2023

	Zara/Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	12,404	1,191	3,319	(63)	16,851
Profit before taxes	2,433	195	622	2	3,252
Amortisation and depreciation	1,082	117	299	-	1,498
Segment total assets	25,309	1,675	4,337	-	31,321

### 1H 2022

	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

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 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 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 2023 amount to 1,337 million euros (848 million euros in the first half of 2022) 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 2023 and 31 January 2023, the Company's share capital amounted to 94 million euros and was divided into 3,116,652,000 fully subscribed and paid-up shares of 0.03 euros par value each. All the shares are of a single class and series, accrue the same voting and dividend rights, are represented by book entries and are listed on all four Spanish stock exchanges.

Inditex has contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) to provide the daily share ownership notification service.

As per the Company's shareholder register, the members of the Board of Directors directly or indirectly owned, at 31 January 2023 and 31 July 2023, 59.298% of the Company's share capital. Pontegadea Inversiones, S.L. 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. Likewise, at the Annual General Meeting held on 13 July 2021, shareholders approved the 2021-2025 Long-Term Incentive Plan (Note 26 of the Notes to the Financial Statements for 2021), and at the Annual General Meeting held on 11 July 2023, shareholders approved a new Long-Term Incentive Plan for the 2023-2027 period.

At 31 January 2023, the Company owned 4,932,514 treasury shares, representing 0.158% of the share capital.

During the first half of 2023, the Company proceeded to settle the second cycle (2020-2023) of the 2019-2023 Plan (accrued and completed on 31 January 2023) and to award shares to its beneficiaries. A total of 1,350,095 shares were delivered.

Aside from these share deliveries, there were no other transactions involving treasury shares in the first half of 2023.

Consequently, at 31 July 2023, the Company owned a total of 3,582,419 treasury shares, representing 0.115% 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 11 July 2023, the Annual General Meeting approved the distribution of a dividend charged to profits for 2022 and to unrestricted reserves, amounting to a maximum of 3,740 million euros (1.20 euros gross per share corresponding to an ordinary dividend of 0.796 euros gross per share and a bonus dividend of 0.404 euros gross per share for all the outstanding shares).

Of this amount, 0.60 euros gross per share were paid on 2 May 2023, as interim dividend, and 0.60 euros gross per share will be paid on 2 November 2023, as final 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 2023, the total amount pending payment is shown under the heading "Trade and other payables" on the accompanying interim condensed consolidated balance sheet .

### Earnings per share

Basic earnings per share, of 0.807 euros (0.576 euros at 31 July 2022) was calculated on the basis of the average weighted number of outstanding shares during the period (3,112.6 million shares in the first half of 2023 and 3,113.2 million shares in the first half of 2022).

At 31 July 2023, taking into consideration treasury shares that are subject to the long-term incentive plans, the result of the calculation of diluted earnings per share does not differ from the basic earnings per share.

## 7. Income tax

The accrued income tax expense for the first half of 2023 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 at 31 July 2023 and 31 July 2022 was calculated by applying an effective tax rate of 22.5% and 22.9%, respectively.

Ordinary audits are currently being performed on Group companies in various 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 Group in the first half of 2023 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.

Related party transactions 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 whose parent is the company Tempe S.A.) in the interim condensed consolidated balance sheet:

#### Transactions:

Type of company	1H 2023	1H 2022
Jointly controlled entities	(544)	(444)

#### Balances:

	31/07/2023	31/07/2022
Current financial investments	21	17
Trade and other receivables	34	25
Non-current financial investments	329	302
Trade and other payables	451	353

### Significant shareholders

During the first half of 2023, the transactions carried out by the Inditex Group with its significant shareholders, or persons or companies related thereto, were as follows:

Company name of significant shareholder	Nature of relationship	Type of operation	1H 2023	1H 2022
Pontegadea Inversiones, S.L., Partler Participaciones, S.L.U., Partler 2006, S.L. or related entities or persons	Contractual	Payments related to leases	(20)	(21)
	Contractual	Services	28	5
	Contractual	Other income	-	1
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Payments related to leases	(1)	(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 severance pay are expressed in thousands of euros in both years.

The remuneration and severance pay earned by the Directors and Senior Management of Inditex in the first half-year of 2023 are as follows:

	Thousands Euros	
	Directors	Senior Management
Remuneration	2,926	13,014
Severance pay	-	-
<b>Total</b>	<b>2,926</b>	<b>13,014</b>

The amount shown in the "Directors" section includes the remuneration accrued by the Directors in office at the end of the first half of 2023 (10) and at any time during the aforementioned period<sup>[1]</sup>, for their membership on the Board and on the various Committees, as applicable in each case.

[1] The aforementioned remuneration includes the proportional part accrued by Mr. Emilio Saracho Rodríguez de Torres up to the effective date of his resignation, which coincided with the date of the Annual General Meeting, that is, 11 July 2023. At the close of the first half of 2023 (31 July 2023), the Board of Directors of Inditex comprised ten (10) members, shareholders at the Annual General Meeting having resolved to reduce by one the number of its members following the resignation tendered by Mr. Saracho from his post as a director and as a member of the various committees.

It also includes the fixed remuneration accrued during the reporting period by the Chief Executive Officer, Mr. Óscar García Maceiras, for the performance of his executive duties.

The amount specified in the "Senior Management" section refers to the fixed remuneration earned by twenty-one (21) senior managers 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 2022 has been paid during the first half of 2023 and is shown in the annual financial information of 2022.

Similarly, the variable remuneration earned, where applicable, by the Directors and Senior Management in 2023, and which will be subject to the approval of the Board of Directors, will be shown in the annual financial information of 2023 in progress.

In the first half of 2022 Inditex's members of the Board of Directors and Senior Management earned the following remuneration and severance pay:

	Thousands Euros	
	Directors	Senior Management
Remuneration	6,074	12,914
Severance pay	22,990	1,917
<b>Total</b>	<b>29,064</b>	<b>14,831</b>

The amount shown in the "Directors" section included the remuneration accrued by the Directors in office at the end of the first half of 2022 (11) and at any time during the aforementioned period, for their membership on the Board and on the various Committees, as applicable in each case. In particular, the fixed items of remuneration to the Directors in their capacity as such included the proportional amounts earned by the former Executive Chair and the current Chair, as well as the specific new fixed remuneration established for the position of Chair of the Board of Directors (without executive duties).

It also included 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 at that date and the fixed remuneration of the previous Executive Chair, 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 managers for the performance of their duties, proportional to the time in which they held senior management positions.

The variable remuneration earned by the members of the Board of Directors and Senior Management in 2021 was paid during the first half of 2022 and is shown in the annual financial information of 2021.



## 9. Other information

### **Russian Federation and Ukraine**

In October 2022, a preliminary agreement was reached with "Fashion and More Management DMCC", a Daher Group company, to sell the Group's business in Russia through the transfer of all the shares of "JSC New Fashion" (formerly JSC Zara CIS). The net assets associated with this business were adjusted to their realisable value at 31 January 2023, and the estimated cost associated with the termination of the operations and the impact of the agreement to sell the business in this market were recognised in the 2022 consolidated income statement under Other results.

The transaction was completed in April 2023 after obtaining the relevant administrative permits from the Russian authorities, resulting in the transfer to the Daher Group of the assets and employees associated with 243 stores the Group had in Russia. Furthermore, should new circumstances arise which, in Inditex's opinion, allow the return of the Group's brands to this market, the agreement provides that the Inditex Group is entitled, and the Daher Group obliged, to arrange a franchise agreement and immediately use the transferred assets. These rights have been

recognised as an intangible asset with a finite useful life in the interim condensed consolidated balance sheet at 31 July 2023, in the amount of 211 million euros.

In the interim condensed consolidated income statement at 31 July 2023, the aforementioned agreement did not have any material impact other than that already recognised at 2022 year-end.

The brands established in these premises, totally unrelated to Inditex Group, are managed independently by the Daher Group.

No future commitments or contingencies are expected to arise as a result of the agreement reached that could materially affect the Inditex Group's financial statements.

The Group's operations in Ukraine remain suspended at the date of preparation of these interim condensed consolidated financial statements.

## 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 2). 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 2023

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

During the first half of 2023, there have been no significant events and/or changes in the entity's situation with respect to that described in section 4. Our Strategy for the Inditex Group's 2022 Statement on Non-Financial Information.

## 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
- Management Committee
- Audit and Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Market Transparency Committee
- Ethics Committee

## Business performance and results

### Key financial and non-financial indicators

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.

Total stores by concept is included in the table below:

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
<b>Total</b>	<b>5,745</b>	<b>6,370</b>

Net sales by concept in 1H 2023 and 1H 2022 are shown in the table below:

	31 July 2023	31 July 2022	23/22
Zara (Zara & 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%
<b>Total</b>	<b>16,851</b>	<b>14,845</b>	<b>13.5%</b>

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

Area	1H 2023	1H 2022
Europe ex-Spain	47.8%	46.3%
Americas	19.4%	20.1%
Asia & RoW	18.4%	19.4%
Spain	14.4%	14.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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.

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

	1H 2023	1H 2022
Net financial income (losses)	131	(1)
Lease financial expenses	(90)	(47)
Foreign exchange gains (losses)	13	(64)
<b>Total</b>	<b>54</b>	<b>(111)</b>

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%.

	1H 2023	1H 2022
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.

## Issues relating to sustainability and employees

During the first half of 2023, on the occasion of the Annual General Meeting, new targets were set in our sustainability roadmap for the remainder of the decade, on our path to achieving net zero emissions by 2040.

Our new commitments:

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<sup>1</sup>.
- 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.

<sup>1</sup>The not-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."

The consolidated Directors' Report for 2023, 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 2023.

## Liquidity and capital resources

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

	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	-	(1)
<b>Net financial cash (debt)</b>	<b>10,546</b>	<b>9,242</b>

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.

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

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 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 presentation 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 presentation currency, i.e., in euros, it is exposed to foreign currency exchange risk in the translation of the results of 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. The potential impact of inflation affecting the costs related to the acquisition of goods and services is also considered. Notable in this regard is the increase in the price of the many raw materials consumed directly or indirectly in the Group's operations and 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 potential decline in sales 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). 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 war, the Group's operations in Ukraine remain temporarily suspended. Operations in the Russian Federation have ceased following the sale of our Russian business to the Daher Group (Note 9 of the Explanatory notes to the interim condensed consolidated financial statements).

The Group continues to track the unfolding conflict and its complex repercussions closely, and to put in place plans to mitigate its impact.

## 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 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 necessity to adapt the organisational culture 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, and other factors.

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.

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 in a formal or material sense; good governance guidelines and best practices; as well as the commitments that Inditex voluntarily undertakes as a business, and 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 regulatory risks of a criminal nature, such as crimes related to corruption, fraud and/or bribery, or any other damage to the reputation of the Company.

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. The policies and internal regulations developed and implemented by these areas for the management of the different types of risks include: the Financial Risk Management Policy, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, the Criminal Risk Prevention Policy, the Sustainability Policy, the Information Security Policy, the Policy on Human Rights, the Diversity and Inclusion Policy, the Compliance Policy, and the Anti-Money Laundering and Terrorist Financing Policy, among others.

For more details, see section 6.3 Responsible risk management of the 2022 Statement on Non-Financial Information.

## 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 2023 increased 14% versus the same period in 2022.

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 Coolsingel, 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, detailed under "Issues relating to sustainability and employees".

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.

## 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, we highlight the activity of designing clothing, accessories and household items, logistics and those related to technology linked to point-of-sale terminals, to administration and inventory management systems, to delivery systems at distribution centres, to communication with stores, to garment labelling and, finally, to the activity linked to the digital transformation of the business.

## Acquisition and sale of treasure 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. Likewise, at the Annual General Meeting held on 13 July 2021, shareholders approved the 2021-2025 Long-Term Incentive Plan (Note 26 of the Notes to the Financial Statements for 2021), and at the Annual General Meeting held on 11 July 2023, shareholders approved a new Long-Term Incentive Plan for the 2023-2027 period.

At 31 January 2023, the Company owned 4,932,514 treasury shares, representing 0.158% of the share capital.

During the first half of 2023, the Company proceeded to settle the second cycle (2020-2023) of the 2019-2023 Plan (accrued and completed on 31 January 2023) and to award shares to its beneficiaries. A total of 1,350,095 shares were delivered.

Aside from these share deliveries, there were no other transactions involving treasury shares in the first half of 2023.

Consequently, at 31 July 2023, the Company owned a total of 3,582,419 treasury shares, representing 0.115% of the share capital.

## Other salient information

### Stock market information

Inditex's market price stood at 34.81 euros per share at 31 July 2023, an increase of 22% since the beginning of the year, while the Ibex 35 index gained 7% in the same period. The average daily trading volume was approximately 3.3 million shares.

Inditex's market capitalisation stood at 108,491 million euros at the end of the six-month period, up 1,084% on its capitalisation when its shares were admitted to trading on 23 May 2001, as compared with a 0.2% increase 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 11 July 2023, the Annual General Meeting approved the distribution of a dividend charged to profits for 2022 and to unrestricted reserves, amounting to a maximum of 3,740 million euros (1.20 euros gross per share corresponding to an ordinary dividend of 0.796 euros gross per share and a bonus dividend of 0.404 euros gross per share for all the outstanding shares).

Of this amount, 0.60 euros gross per share were paid on 2 May 2023, as interim dividend, and 0.60 euros gross per share will be paid on 2 November 2023, as final 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 2023, the total amount pending payment is shown under the heading

"Trade and other payables" on the accompanying interim condensed consolidated balance sheet.

## Other disclosures

### Related party transactions

Related party transactions are described in Note 8 to this 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 2023.

### Alternative performance measures

The Alternative Performance Measures (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 for 2022.

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.

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.



These interim condensed consolidated financial statements and interim consolidated directors' report for the first half of 2023 are executed in the city of A Coruña on 12 September 2023.

Ms Marta Ortega Pérez  
Chair

Mr Amancio Ortega Gaona  
Ordinary member

Mr José Arnau Sierra  
Deputy Chair

Mr Óscar García Maceiras  
CEO

Pontegadea Inversiones, S.L.  
Ordinary member  
Ms Flora Pérez Marcote

Bns. Denise Patricia Kingsmill  
Ordinary member

Ms Pilar López Álvarez  
Ordinary member

Ms Anne Lange  
Ordinary member

Mr José Luis Durán Schulz  
Ordinary member

Mr Rodrigo Echenique Gordillo  
Ordinary member

*[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. In the event of a discrepancy, the Spanish-language version prevails.]*