

INDITEX

INTERIM THREE MONTHS 2020 RESULTS

1 February 2020 to 30 April 2020

- ♦ Inditex would like to express solidarity with the people affected by the Covid-19 pandemic. Our main priority is the health and safety of local communities and our employees. We would like to express our gratitude to our dedicated teams who have been an inspiration during this period.
- ♦ Inditex presents the Strategic Update: Inditex 2022. Three key strategic areas: digitalisation, integration between stores and online, and sustainability.
- ♦ 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.
- ♦ Online sales are expected to reach more than 25% of total sales by 2022.
- ♦ A higher quality network of better located stores in conjunction with online is expected to generate long-term annual like-for-like sales growth of 4%-6%. Gross space growth is expected to be 2.5% annually.
- ♦ We have taken the decision to complete the store optimisation programme in the period 2020-2021. The features of the remainder of the optimisation programme over this period will be similar to those seen in the period 2017-2019.
- ♦ Inditex's 1Q2020 has been materially impacted by COVID-19. Initial collections for Spring/Summer have been very well received by our customers. At the end of the period, 965 stores were open in 27 markets. It is expected that most key markets will have reopened by the end of June.
- ♦ Net sales in 1Q2020 reached €3.3 billion (€5.9 billion in 1Q2019).
- ♦ Online sales in 1Q2020 increased 50%. Online sales in April increased 95%.
- ♦ Gross profit came to €1.9 billion, compared to €3.5 billion in 1Q2019. The gross margin reached 58.4% compared with 59.5% in 1Q2019.
- ♦ Operating expenses decreased 21% and have remained tightly under control. All of the main components of operating expenses have shown a good performance.
- ♦ EBITDA was €484 million (€1.7 bn in 1Q2019).
- ♦ The net income in 1Q2020 was -€409 million versus net income of €734 million in 1Q2019, -€0.131 per share. This includes the provision of €308 million for the completion of the store optimisation programme. Without the provision the net income in 1Q2020 was -€175 million.

- ♦ Due to the flexibility of the business model inventory decreased 10%. The closing inventory is considered to be of high quality. The net cash position is €5.8bn.
- ♦ Inditex's Board of Directors will propose to the Annual General Meeting an ordinary dividend for FY2019 of 35 cents per share to be paid on 2 November 2020. Inditex maintains its dividend policy that combines a 60% ordinary payout and bonus dividends. The remainder of the bonus dividend for calendar 2020 and 2021 (78 cents per share) will be paid in calendar 2021 and 2022.
- ♦ Store & Online sales in local currencies in May decreased 51%.
- ♦ Store & Online sales in local currency from 2 June to 8 June decreased 34%. In the markets that were fully open (54% of total stores) sales decreased 16%.

Strategy Update: Inditex 2020-2022

Over the next few years, Inditex will be very active in developing its unique, fully integrated store and online model.

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.

Three key strategic areas: digitalisation, integration between stores and online, and sustainability. Stores will play a stronger role in the development of online sales due to their digitalisation and capacity to reach customers from the best locations worldwide. It is for this reason that we must focus on those high quality stores that are best able to deliver on these long-term strategic goals.

The strong growth of online supports our global strategy from 2010. Online sales are expected to reach more than 25% of total sales by 2022.

Key digital projects include:

- Zara expects to open the new online studios (64,000 m²) at headquarters by the end of 2020.
- The RFID product traceability system, full inventory integration and global online development will be completed in all concepts by 2020 as planned.
- These initiatives are based on the development of the Inditex Open Platform, designed in 2018 which will be completed in the period 2019-2021. This platform currently supports 60% of Inditex's digital activities. It is a proprietary technology platform that supports all of Inditex's key functions and fully aligns business and technology needs. The platform has some unique features. It is scalable, agile and enormously flexible and is developed on a hybrid cloud. It reinforces the capacity for commercial decision-making, data analysis and CRM based on micro-services. The platform allows us to develop unique solutions for both in store and online. It is a solid proprietary base for Inditex's business and digital expansion.

The growth of gross space in the period 2020-2022 will be around 2.5% per year. Gross store openings will be around 150 stores per year in the 2020-2022 period. During this period a very significant number of high quality store enlargements will be carried out.

A higher quality network of better located stores in conjunction with online is expected to generate long-term annual like-for-like sales growth of 4%-6%. These initiatives are expected to result in higher levels of profitability and lower capital intensity.

The store optimisation program provides a better customer experience through larger and more attractive stores in key locations. In view of the strong development of our integrated store and online model in recent years we have made the decision to complete the optimisation program in the period 2020-2021. The features of the 2020-2021 program will be similar to those of the 2017-2019 period.

Inditex has decided to absorb between 1,000 and 1,200 stores in the years 2020 and 2021. The plan includes 500-600 units each year. The optimisation plan focuses on stores at the end of their useful life, especially young concepts whose sales can be recovered in nearby stores and online. The net book value of this initiative is €308 million and has been included in the income statement for 1Q2020. Appendix III contains further details of the plan. The table below shows the impact of the plan on some key lines:

% of absorptions in:	Total
Stores	13%-16%
Space	10%-12%
Sales	5%-6%
Profit before tax (PBT)	3%-4%

Although the profit before tax corresponding to the stores to be absorbed represents between 3% and 4% of the group's total, it is expected to be fully offset by, (1) increased sales from nearby stores and online, (2) The efficiencies generated by the improved purchasing function and inventory management, driving higher sales volumes at full price in the long term.

Performance in 1Q2020

Inditex's 1Q2020 has been materially impacted by COVID-19. Initial collections for Spring/Summer have been very well received by our customers. Our supply chain has continued to operate normally due to the flexibility of our business model based on proximity sourcing and the single inventory position. Inventory integration has proven to be pivotal during this period. We have also implemented initiatives to adjust operating expenses. At the end of the period, 965 stores were open in 27 markets. It is expected that most key markets will have reopened by the end of June.

Net sales reached €3.3 billion, versus €5.9 billion in 1Q2019.

Online sales grew strongly at +50% from 1 February to 30 April. Online sales grew +95% in April.

In 1Q2020 Inditex opened stores in 9 markets. At the end of 1Q2020 Inditex operated 7,412 stores. A list of total stores by concept is included in Annex I.

Gross profit came to €1.9 billion, compared to €3.5 billion in 1Q2019. The gross margin reached 58.4% compared with 59.5% in 1Q2019.

Operating expenses decreased 21% and remained tightly under control. All of the main components of operating expenses have shown a good performance.

EBITDA was €484 million, compared to €1.7 billion in 1Q2019.

EBIT was -€508 million, compared to €980 million in 1Q2019. This includes the provision of €308 million for the completion of the store optimisation programme. Without the provision the EBIT in 1Q2020 was -€200 million.

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

The tax rate for 1Q2020 is the best estimate for FY2020 according to current information.

The net income in 1Q2020 was -€409 million versus net income of €734 million in 1Q2019, -€0.131 per share. This includes the provision of €308 million for the completion of the store optimisation programme. Without the provision the net income in 1Q2020 was -€175 million.

Inditex's liquidity position is robust. The net cash position as of 30 April 2020 amounts to €5.8 billion.

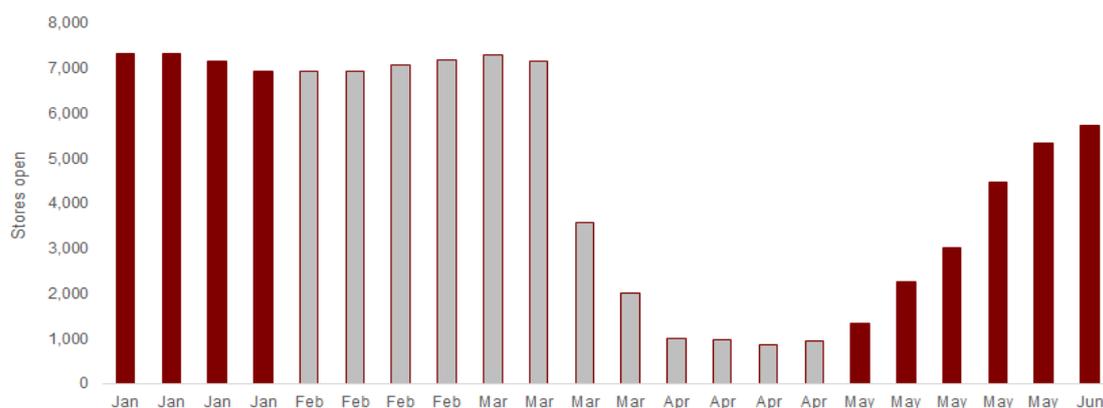
Million Euros	30 April 2020	30 April 2019
Cash & cash equivalents	3,401	5,307
Short term investments	2,506	1,477
Current financial debt	(151)	(115)
Non current financial debt	(4)	(9)
Net financial cash (debt)	5,752	6,660

Due to the flexibility of the business model inventory decreased 10%. The closing inventory is considered to be of high quality. The operating working capital position remains negative as a result of the business model:

Million Euros	30 April 2020	30 April 2019
Inventories	2,629	2,923
Receivables	644	846
Payables	(3,877)	(6,306)
Operating working capital	(604)	(2,536)

Trading update

In 1Q2020, most markets in which we have a presence have imposed restrictions on the operations of stores. The timing and the duration of these measures differs across markets. The chart below illustrates the number of stores globally with sales over the period on a weekly basis.



Since the beginning of May, most markets on lockdown have been gradually reopening, albeit with social distancing measures in place. Sales trends began to improve in May, though they are not yet at normal levels. As of 8 June, 5,743 stores (78% of total) were open in 79 markets.

Store & Online sales in local currencies in May decreased 51%.

Store & Online sales in local currency from 2 June to 8 June decreased 34%. In the markets that were fully open (54% of total stores) sales decreased 16%.

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

Dividends

Inditex's Board of Directors will propose to the Annual General Meeting an ordinary dividend for FY2019 of 35 cents per share to be paid on 2 November 2020.

Inditex maintains its dividend policy that combines a 60% ordinary payout and bonus dividends.

The remainder of the bonus dividend for calendar 2020 and 2021 (78 cents per share) will be paid in calendar 2021 and 2022.

Agreements of the Board of Directors

Inditex's Annual General Meeting (AGM) will take place at the Company's registered office on 14 July 2020.

For additional information:

INDITEX

Investor Relations
ir@Inditex.com
Tel: +34 981 18 53 64
www.Inditex.com

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.

- Tables and appendix to follow -

Consolidated financial statements

Grupo Inditex		
1Q2020 profit & loss statement (€m)		
	1Q2020 (*)	1Q2019 (*)
Net sales	3,303	5,927
Cost of sales	(1,374)	(2,402)
Gross profit	1,930	3,524
Gross margin	58.4%	59.5%
Operating expenses	(1,448)	(1,842)
Other net operating income (losses)	2	(8)
Operating cash flow (EBITDA)	484	1,675
EBITDA margin	14.6%	28.3%
Amortisation and depreciation	(992)	(696)
Operating income (EBIT)	(508)	980
EBIT margin	-15.4%	16.5%
Financial results	(35)	(36)
Results from companies consolidated by equity method	4	9
Income before taxes	(539)	952
EBT margin	-16.3%	16.1%
Taxes	130	(216)
Net income	(409)	736
Minorities	0	2
Net income attributable to the controlling company	(409)	734
Net income margin	-12.4%	12.4%
Earnings per share, Euros (**)	-0.131	0.236

(*) Unaudited data

(**) Shares for EPS calculation 3,114,646,185 for 2020 and 3,113,942,530 for 2019

Grupo Inditex		
Consolidated Balance Sheet as of 30 April 2020 (€m)		
	30 April 2020 (*)	30 April 2019 (*)
Assets		
NON CURRENT ASSETS	16,552	16,400
Right of use	6,070	5,515
Intangible assets	617	556
Tangible assets	7,868	8,433
Financial investments	246	293
Other	1,751	1,605
CURRENT ASSETS	9,693	10,843
Inventories	2,629	2,923
Receivables	644	846
Short term investments	2,506	1,477
Cash & cash equivalents	3,401	5,307
Other	512	290
TOTAL ASSETS	26,245	27,244
Total Liabilities & Shareholders' Equity		
SHAREHOLDERS' EQUITY	14,383	13,392
Equity attributable to the Group	14,347	13,356
Minority interests	36	36
NON CURRENT LIABILITIES	6,101	5,813
Deferred taxes	378	318
Financial debt	4	9
Lease liability	5,169	4,949
Other	550	537
CURRENT LIABILITIES	5,761	8,039
Financial debt	151	115
Lease liability	1,694	1,574
Payables	3,877	6,306
Other	40	44
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	26,245	27,244

(*) Unaudited data

Annex I

Number of stores by concept:

Concept	30 April 2020	30 April 2019
Zara	2,138	2,128
Zara Kids	126	128
Zara Home	587	595
Pull&Bear	955	972
Massimo Dutti	750	761
Bershka	1,097	1,103
Stradivarius	996	996
Oysho	673	673
Uterqüe	90	91
Total	7,412	7,447

Annex II

Breakdown of Financial results:

Million Euros	1Q2020	1Q2019
Net financial income (losses)	4	4
Lease financial expenses	(33)	(39)
Foreign exchange gains (losses)	(6)	(2)
Total	(35)	(36)

Annex III

The absorptions refer to stores at the end of their life cycle with the following criteria:

- Small stores, mainly of the younger concepts.
- Stores with sales that can be recovered in neighbouring stores and online.
- Stores with low net book values (averaging less than €260,000 per unit).

Breakdown of absorptions by concept:

	Units
Zara	250-300
Pull&Bear	140-165
Bershka	135-160
Stradivarius	110-130
Oysho	145-175
Zara Home	100-120
Massimo Dutti	110-135
Uterqüe	10-15

The geographical dispersion of stores to be absorbed:

Spain	250-300
Europe ex-Spain	340-400
Asia & RoW	340-400
Americas	70-100

The absorptions will not change the weightings of individual concepts versus total group revenues.

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.