

**ANNEX I**

**GENERAL**

1st

**HALF-YEARLY FINANCIAL REPORT FOR FINANCIAL YEAR**

2020/2021

**REPORTING DATE**

31/07/2020

**I. IDENTIFICATION DATA**

**Registered Company Name:** INDUSTRIA DE DISEÑO TEXTIL, S.A.

**Registered Address:** AVDA DIPUTACIÓN S/N, EDIFICIO INDITEX, 15142 ARTEIXO-A CORUÑA

**Tax Identification Number**

A-15075062

**II. SUPPLEMENTARY INFORMATION TO PREVIOUSLY RELEASED PERIODIC INFORMATION**

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

<b>III. STATEMENT(S) BY THE PERSON(S) RESPONSIBLE FOR THE INFORMATION</b>
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*To the best of our knowledge, the accompanying condensed annual financial statements, which have been prepared in accordance with applicable accounting principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or of the undertakings included in the consolidated financial statements taken as a whole, and the interim management report includes a fair review of the information required.*

**Comments on the above statement(s):** It is stated that the consolidated condensed interim financial statements and the interim management report of Inditex and the Group companies as of 31 July 2020 were unanimously approved by the Board of Directors in its session held on September 15, 2020. The following Directors have not signed the statement about the contents of said financial information: Bns Denise Patricia Kingsmill, Ms Anne Lange, Ms Pilar López Álvarez, Mr José Luis Durán Schulz and Mr Emilio Saracho Rodríguez de Torres, due to them all having attended the meeting connected by videoconference and all of whom were recognized by me, the Secretary, prior to the beginning of the session. All Directors expressed their formal consent to the aforementioned interim financial information relating to the first semester of the financial year 2020, as well as to the present statement about the contents thereof, fact that has been duly recorded in the minutes of the meeting.

**Person(s) responsible for this information:**

In accordance with the power delegated by the board of directors, the board secretary certifies that the half-yearly financial report has been signed by the directors.

Name/Company Name	Type
Pablo Isla Álvarez de Tejera	EXECUTIVE CHAIRMAN
José Arnau Sierra	DEPUTY CHAIRMAN
Amancio Ortega Gaona	ORDINARY MEMBER
Carlos Crespo González	CEO
PONTEGADEA INVERSIONES, S.L.	ORDINARY MEMBER
Rodrigo Echenique Gordillo	ORDINARY MEMBER

**Date this half-yearly financial report was signed by the corresponding governing body:** 15/09/2020

## IV. SELECTED FINANCIAL INFORMATION

## 1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (1/2)

Units: Thousand euros

ASSETS		CURRENT P. 31/07/2020	PREVIOUS P. 31/01/2020
<b>A) NON-CURRENT ASSETS</b>	0040	10,754,271	10,744,943
1. Intangible assets:	0030	180,818	169,882
a) Goodwill	0031		
b) Other intangible assets	0032	180,818	169,882
2. Property, plant and equipment	0033	537,765	516,213
3. Investment property	0034	531,127	538,395
4. Long-term investments in group companies and associates	0035	9,169,116	9,179,900
5. Long-term financial investments	0036	157,601	162,544
6. Deferred tax assets	0037	174,268	174,291
7. Other non-current assets	0038	3,576	3,718
<b>B) CURRENT ASSETS</b>	0085	11,397,474	12,429,299
1. Non-current assets held for sale	0050		
2. Inventories	0055	746,958	659,639
3. Trade and other receivables:	0060	398,751	483,305
a) Trade receivables	0061	308,678	322,947
b) Other receivables	0062	37,639	84,340
c) Current tax assets	0063	52,434	76,018
4. Short-term investments in group companies and associates	0064	6,723,398	6,243,418
5. Short-term financial investments	0070	424	4,927
6. Prepayments and accrued income	0071	30,378	11,942
7. Cash and cash equivalents	0072	3,497,565	5,026,068
<b>TOTAL ASSETS (A + B)</b>	0100	22,151,745	23,174,242

## IV. SELECTED FINANCIAL INFORMATION

## 1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (2/2)

Units: Thousand euros

## EQUITY AND LIABILITIES

		CURRENT P. 31/07/2020	PREVIOUS P. 31/01/2020
<b>A) EQUITY (A.1 + A.2 + A.3)</b>	0195	18,883,804	19,902,887
<b>A.1) CAPITAL AND RESERVES</b>	0180	18,886,262	19,905,336
1. Capital:	0171	93,500	93,500
a) Registered capital	0161	93,500	93,500
b) <i>Less: Uncalled capital</i>	0162		
2. Share premium	0172	20,379	20,379
3. Reserves	0173	18,736,424	9,433,236
4. <i>Less: Own shares and equity holdings</i>	0174	(51,438)	(59,960)
5. Prior periods' profit and loss	0178		
6. Other shareholder contributions	0179		
7. Profit (loss) for the period	0175	87,397	10,418,181
8. <i>Less: Interim dividend</i>	0176		
9. Other equity instruments	0177		
<b>A.2) VALUATION ADJUSTMENTS</b>	0188	(3,174)	(3,240)
1. Available-for-sale financial assets	0181		
2. Hedging transactions	0182	(3,174)	(3,240)
3. Other	0183		
<b>A.3) GRANTS, DONATIONS AND BEQUESTS RECEIVED</b>	0194	716	791
<b>B) NON-CURRENT LIABILITIES</b>	0120	458,622	523,541
1. Long-term provisions	0115	3,967	4,313
2. Long-term debts:	0116	3,226	6,208
a) Debt with financial institutions and bonds and other marketable securities	0131		
b) Other financial liabilities	0132	3,226	6,208
3. Long-term payables to group companies and associates	0117	5,707	5,822
4. Deferred tax liabilities	0118	7,451	6,851
5. Other non-current liabilities	0135		
6. Long-term accrual accounts	0119	438,271	500,347
<b>C) CURRENT LIABILITIES</b>	0130	2,809,319	2,747,814
1. Liabilities associated with non-current assets held for sale	0121		
2. Short-term provisions	0122		
3. Short-term debts:	0123	44,384	44,406
a) Debt with financial institutions and bonds and other marketable securities	0133		
b) Other financial liabilities	0134	44,384	44,406
4. Short-term payables to group companies and associates	0129	531,283	697,957
5. Trade and other payables:	0124	2,110,126	1,881,925
a) Suppliers	0125	1,984,495	1,618,548
b) Other payables	0126	125,631	263,377
c) Current tax liabilities	0127		
6. Other current liabilities	0136		
7. Current accrual accounts	0128	123,526	123,526
<b>TOTAL EQUITY AND LIABILITIES (A + B + C)</b>	0200	22,151,745	23,174,242

Comments:

IV. SELECTED FINANCIAL INFORMATION

2. INDIVIDUAL PROFIT AND LOSS ACCOUNT (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 31/07/2020	PREVIOUS CUMULATIVE 31/07/2019
(+) Revenue	0205			2,729,669	4,381,178
(+/-) Change in inventories of finished products and work in progress	0206				
(+) Own work capitalised	0207			5,525	4,138
(-) Supplies	0208			(1,947,543)	(3,210,010)
(+) Other operating revenue	0209			100,470	115,087
(-) Personnel expenses	0217			(83,912)	(113,777)
(-) Other operating expenses	0210			(625,827)	(701,744)
(-) Depreciation and amortisation charge	0211			(61,520)	(56,040)
(+) Allocation of grants for non-financial assets and other grants	0212				
(+) Reversal of provisions	0213				
(+/-) Impairment and gain (loss) on disposal of fixed assets	0214			17	(1,821)
(+/-) Other profit (loss)	0215			346	6,022
= OPERATING PROFIT (LOSS)	0245			117,225	423,033
(+) Finance income	0250			6,929	6,708
(-) Finance costs	0251			(585)	(1,381)
(+/-) Changes in fair value of financial instruments	0252				
(+/-) Exchange differences	0254			(16,150)	2,192
(+/-) Impairment and gain (loss) on disposal of financial instruments	0255				
= NET FINANCE INCOME (COSTS)	0256			(9,806)	7,519
= PROFIT (LOSS) BEFORE TAX	0265			107,419	430,552
(+/-) Income tax expense	0270			(20,022)	(56,237)
= PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	0280			87,397	374,315
(+/-) Profit (loss) from discontinued operations, net of tax	0285				
= PROFIT (LOSS) FOR THE PERIOD	0300			87,397	374,315
EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
Basic	0290			0.03	0.12
Diluted	0295			0.03	0.12

Comments:

IV. SELECTED FINANCIAL INFORMATION  
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY  
A. INDIVIDUAL STATEMENT OF RECOGNISED INCOME AND EXPENSE (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2020	PREVIOUS PERIOD 31/07/2019
<b>A) PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)</b>	0305	87,397	374,315
<b>B) INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	0310	(3,174)	6,289
1 From measurement of financial instruments:	0320		
a) Available-for-sale financial assets	0321		
b) Other income/(expenses)	0323		
2 From cash flow hedges	0330	(4,232)	8,385
3 Grants, donations and bequests received	0340		
4 From actuarial gains and losses and other adjustments	0344		
5 Other income and expense recognised directly in equity	0343		
6 Tax effect	0345	1,058	(2,096)
<b>C) TRANSFERS TO PROFIT OR LOSS</b>	0350	3,165	5,585
1 From measurement of financial instruments:	0355		
a) Available-for-sale financial assets	0356		
b) Other income/(expenses)	0358		
2 From cash flow hedges	0360	4,320	7,547
3 Grants, donations and bequests received	0366	(75)	(75)
4 Other income and expense recognised directly in equity	0365		
5 Tax effect	0370	(1,080)	(1,887)
<b>TOTAL RECOGNISED INCOME/(EXPENSE) (A + B + C)</b>	0400	87,388	386,189

Comments

IV. SELECTED FINANCIAL INFORMATION  
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY  
B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (1/2) (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

CURRENT PERIOD		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
		Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period	Other equity instruments			
<b>Closing balance at 01/02/2020</b>	3010	93,500	9,453,615	(59,960)	10,418,181		(3,240)	791	19,902,887
Adjustments for changes in accounting policy	3011								
Adjustment for errors	3012								
<b>Adjusted opening balance</b>	3015	93,500	9,453,615	(59,960)	10,418,181		(3,240)	791	19,902,887
<b>I. Total recognised income/(expense)</b>	3020				87,397		66	(75)	87,388
<b>II. Transactions with shareholders or owners</b>	3025				(1,090,224)				(1,090,224)
1. Capital increases/ (reductions)	3026								
2. Conversion of financial liabilities into equity	3027								
3. Distribution of dividends	3028				(1,090,224)				(1,090,224)
4. Net trading with treasury stock	3029								
5. Increases/ (reductions) for business combinations	3030								
6. Other transactions with shareholders or owners	3032								
<b>III. Other changes in equity</b>	3035		9,303,188	8,522	(9,327,957)				(16,247)
1. Equity-settled share-based payment	3036			8,522					8,522
2. Transfers between equity accounts	3037		9,327,957		(9,327,957)				
3. Other changes	3038		(24,769)						(24,769)
<b>Closing balance at 31/07/2020</b>	3040	93,500	18,756,803	(51,438)	87,397		(3,174)	716	18,883,804

Comments

IV. SELECTED FINANCIAL INFORMATION  
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY  
B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (2/2) (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

PREVIOUS PERIOD	Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
	Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period	Other equity instruments			
<b>Closing balance at 01/02/2019 (comparative period)</b>	3050	93,500	1,769,565	(77,077)	10,381,284	(6,289)	904	12,161,887
Adjustments for changes in accounting policy	3051							
Adjustment for errors	3052							
<b>Adjusted opening balance (comparative period)</b>	3055	93,500	1,769,565	(77,077)	10,381,284	(6,289)	904	12,161,887
<b>I. Total recognised income/(expense)</b>	3060				374,315	11,949	(75)	386,189
<b>II. Transactions with shareholders or owners</b>	3065				(2,740,783)			(2,740,783)
1. Capital increases/ (reductions)	3066							
2. Conversion of financial liabilities into equity	3067							
3. Distribution of dividends	3068				(2,740,783)			(2,740,783)
4. Net trading with treasury stock	3069							
5. Increases/ (reductions) for business combinations	3070							
6. Other transactions with shareholders or owners	3072							
<b>III. Other changes in equity</b>	3075		7,610,993	17,112	(7,640,501)			(12,396)
1. Equity-settled share-based payment	3076		(30,112)	17,112				(13,000)
2. Transfers between equity accounts	3077		7,640,501		(7,640,501)			
3. Other changes	3078		604					604
<b>Closing balance at 31/07/2019 (comparative period)</b>	3080	93,500	9,380,558	(59,965)	374,315	5,660	829	9,794,897

Comments

IV. SELECTED FINANCIAL INFORMATION

4. INDIVIDUAL STATEMENT OF CASH FLOWS (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2020	PREVIOUS PERIOD 31/07/2019
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)</b>	0435	(801,202)	408,198
<b>1 Profit (loss) before tax</b>	0405	107,419	430,552
<b>2 Adjustments to profit (loss):</b>	0410	(86,340)	(264,585)
(*) Depreciation and amortisation charge	0411	61,520	56,040
(*/-) Other net adjustments to profit (loss)	0412	(147,860)	(320,625)
<b>3 Changes in working capital</b>	0415	(853,200)	88,709
<b>4 Other cash flows from operating activities:</b>	0420	30,919	153,522
(-) Interest paid	0421	(1,750)	(2,088)
(*) Dividends received	0422	29,300	188,415
(*) Interest received	0423	4,484	6,085
(*/-) Income tax recovered/(paid)	0430	(1,115)	(38,890)
(*/-) Other sums received/(paid) from operating activities	0425		
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)</b>	0460	(552,228)	325,688
<b>1 Payments for investments:</b>	0440	(552,427)	(74,944)
(-) Group companies, associates and business units	0441	(477,157)	(5)
(-) Property, plant and equipment, intangible assets and investment property	0442	(75,270)	(74,939)
(-) Other financial assets	0443		
(-) Non-current assets and liabilities classified as held for sale.	0459		
(-) Other assets	0444		
<b>2 Proceeds from sale of investments</b>	0450	199	400,632
(*) Group companies, associates and business units	0451		398,874
(*) Property, plant and equipment, intangible assets and investment property	0452		1,711
(*) Other financial assets	0453	199	47
(*) Non-current assets and liabilities classified as held for sale.	0461		
(*) Other assets	0454		
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3)</b>	0490	(175,073)	(1,180,805)
<b>1 Sums received/(paid) in respect of equity instruments</b>	0470	760	3,413
(*) Issuance	0471		
(-) Redemption	0472		
(-) Acquisition	0473		
(*) Disposal	0474	760	3,413
(*) Grants, donations and bequests received	0475		
<b>2 Sums received/(paid) in respect of financial liability instruments:</b>	0480	(175,833)	186,174
(*) Issuance	0481		186,174
(-) Repayment and redemption	0482	(175,833)	
<b>3 Payment of dividends and remuneration on other equity instruments</b>	0485		(1,370,392)
<b>D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	0492		
<b>E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>	0495	(1,528,503)	(446,919)
<b>F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	0499	5,026,068	4,158,816
<b>G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)</b>	0500	3,497,565	3,711,897

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

		CURRENT PERIOD 31/07/2020	PREVIOUS PERIOD 31/07/2019
(*) Cash on hand and at banks	0550	3,497,565	3,711,897
(*) Other financial assets	0552		
(-) Less: Bank overdrafts repayable on demand	0553		
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	0600	3,497,565	3,711,897

Comments

## IV. SELECTED FINANCIAL INFORMATION

## 5. CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (1/2)

Units: Thousand euros

ASSETS		CURRENT P. 31/07/2020	PREVIOUS P. 31/01/2020
<b>A) NON-CURRENT ASSETS</b>	<b>1040</b>	15,921,188	16,977,062
1. Intangible assets:	<b>1030</b>	6,406,336	6,660,244
a) Goodwill	<b>1031</b>	201,871	207,162
b) Other intangible assets	<b>1032</b>	6,204,465	6,453,082
2. Property, plant and equipment	<b>1033</b>	7,593,727	8,354,586
3. Investment property	<b>1034</b>	21,010	21,109
4. Investments accounted for using the equity method	<b>1035</b>	246,818	246,299
5. Non-current financial assets	<b>1036</b>	2,920	2,885
a) At fair value through profit or loss	<b>1047</b>		
Of which, "Designated upon initial recognition"	<b>1041</b>		
b) At fair value through other comprehensive income	<b>1042</b>		
Of which, "Designated upon initial recognition"	<b>1043</b>		
c) At amortised cost	<b>1044</b>	2,920	2,885
6. Non-current derivatives	<b>1039</b>		
a) Hedging	<b>1045</b>		
b) Other	<b>1046</b>		
7. Deferred tax assets	<b>1037</b>	1,212,337	1,236,341
8. Other non-current assets	<b>1038</b>	438,040	455,598
<b>B) CURRENT ASSETS</b>	<b>1085</b>	9,795,879	11,413,713
1. Non-current assets held for sale	<b>1050</b>		
2. Inventories	<b>1055</b>	2,158,007	2,269,371
3. Trade and other receivables:	<b>1060</b>	1,026,948	953,989
a) Trade receivables	<b>1061</b>	667,409	780,230
b) Other receivables	<b>1062</b>		
c) Current tax assets	<b>1063</b>	359,539	173,759
4. Other current financial assets	<b>1070</b>	2,450,605	3,318,978
a) At fair value through profit or loss	<b>1080</b>		
Of which, "Designated upon initial recognition"	<b>1081</b>		
b) At fair value through other comprehensive income	<b>1082</b>		
Of which, "Designated upon initial recognition"	<b>1083</b>		
c) At amortised cost	<b>1084</b>	2,450,605	3,318,978
5. Current derivatives	<b>1076</b>	7,347	13,966
a) Hedging	<b>1077</b>	7,347	13,966
b) Other	<b>1078</b>		
6. Other current assets	<b>1075</b>	105,444	77,553
7. Cash and cash equivalents	<b>1072</b>	4,047,528	4,779,856
<b>TOTAL ASSETS (A + B)</b>	<b>1100</b>	25,717,067	28,390,775

Comments

IV. SELECTED FINANCIAL INFORMATION

5. CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (2/2)

Units: Thousand euros

EQUITY AND LIABILITIES		CURRENT P. 31/07/2020	PREVIOUS P. 31/01/2020
<b>A) EQUITY (A.1 + A.2 + A.3)</b>	<b>1195</b>	13,306,828	14,949,012
<b>A.1) CAPITAL AND RESERVES</b>	<b>1180</b>	14,011,357	15,319,047
1. Capital	1171	93,500	93,500
a) Registered capital	1161	93,500	93,500
b) <i>Less: Uncalled capital</i>	1162		
2. Share premium	1172	20,379	20,379
3. Reserves	1173	14,143,573	11,626,024
4. <i>Less: Treasury stock</i>	1174	(51,438)	(59,960)
5. Prior periods' profit and loss	1178		
6. Other shareholder contributions	1179		
7. Profit (loss) for the period attributable to the parent company	1175	(194,657)	3,639,104
8. <i>Less: Interim dividend</i>	1176		
9. Other equity instruments	1177		
<b>A.2) ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>1188</b>	(734,104)	(405,846)
1. Items that are not reclassified to profit or loss	1186		
a) Equity instruments through other comprehensive income	1185		
b) Others	1190		
2. Items that may subsequently be reclassified to profit or loss	1187	(734,104)	(405,846)
a) Hedging transactions	1182	(8,589)	(4,030)
b) Translation differences	1184	(725,515)	(401,816)
c) Share in other comprehensive income for investments in joint ventures and others	1192		
d) Debt instruments at fair value through other comprehensive income	1191		
e) Others	1183		
<b>EQUITY ATTRIBUTABLE TO THE PARENT COMPANY (A.1 + A.2)</b>	<b>1189</b>	13,277,253	14,913,201
<b>A.3) NON-CONTROLLING INTERESTS</b>	<b>1193</b>	29,575	35,811
<b>B) NON-CURRENT LIABILITIES</b>	<b>1120</b>	5,728,854	6,135,762
1. Grants	1117		
2. Long-term provisions	1115	257,376	217,115
3. Long-term financial liabilities:	1116	2,861	6,189
a) Debt with financial institutions and bonds and other marketable securities	1131	2,861	6,189
b) Other financial liabilities	1132		
4. Deferred tax liabilities	1118	275,814	369,529
5. Non-current derivatives	1140		
a) Hedging	1141		
b) Other	1142		
6. Other non-current liabilities	1135	5,192,803	5,542,929
<b>C) CURRENT LIABILITIES</b>	<b>1130</b>	6,681,385	7,306,001
1. Liabilities associated with non-current assets held for sale	1121		
2. Current provisions	1122		
3. Current financial liabilities:	1123	30,954	57,882
a) Debt with financial institutions and bonds and other marketable securities	1133	9,217	32,326
b) Other financial liabilities	1134	21,737	25,556
4. Trade and other payables:	1124	4,978,467	5,584,718
a) Suppliers	1125	4,887,320	5,442,755
b) Other payables	1126		
c) Current tax liabilities	1127	91,147	141,963
5. Current derivatives	1145	25,522	14,676
a) Hedging	1146	25,522	14,676
b) Other	1147		
6. Other current liabilities	1136	1,646,442	1,648,725
<b>TOTAL EQUITY AND LIABILITIES (A + B + C)</b>	<b>1200</b>	25,717,067	28,390,775

Comments

IV. SELECTED FINANCIAL INFORMATION

6. CONSOLIDATED PROFIT AND LOSS ACCOUNT (ADOPTED IFRS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 31/07/2020	PREVIOUS CUMULATIVE 31/07/2019
(+) Revenue	1205			8,033,018	12,820,191
(+/-) Change in inventories of finished products and work in progress	1206			(111,364)	(52,620)
(+) Own work capitalised	1207				
(-) Supplies	1208			(3,409,937)	(5,483,801)
(+) Other operating revenue	1209				
(-) Personnel expenses	1217			(1,580,216)	(2,075,425)
(-) Other operating expenses	1210			(1,439,298)	(1,747,353)
(-) Depreciation and amortisation charge	1211			(1,401,219)	(1,377,670)
(+) Allocation of grants for non-financial assets and other grants	1212				
(+/-) Impairment and gain (loss) on disposal of fixed assets	1214			(282,864)	(29,489)
(+/-) Gain (loss) on disposal of non-current assets	1216				
(+/-) Other profit (loss)	1215			(6,182)	(14,123)
<b>= OPERATING PROFIT (LOSS)</b>	1245			<b>(198,062)</b>	<b>2,039,700</b>
(+) Finance income	1250			7,144	14,886
a) Interest income calculated using the effective interest rate method	1262				
b) Other	1263			7,144	14,886
(-) Finance costs	1251			(67,865)	(81,543)
(+/-) Changes in fair value of financial instruments	1252				
(+/-) Gain (loss) from reclassification of financial assets at amortised cost to financial assets at fair value	1258				
(+/-) Gain (loss) from reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value	1259				
(+/-) Exchange differences	1254			(14,937)	(10,488)
(+/-) Impairment and gain (loss) on disposal of financial instruments	1255				
(+/-) Gain (loss) on disposal of financial instruments	1257				
a) Financial instruments at amortised cost	1260				
b) Other financial instruments	1261				
<b>= NET FINANCE INCOME (COSTS)</b>	1256			<b>(75,658)</b>	<b>(77,145)</b>
(+/-) Profit (loss) of equity-accounted investees	1253			10,782	24,421
<b>= PROFIT (LOSS) BEFORE TAX</b>	1265			<b>(262,938)</b>	<b>1,986,976</b>
(+/-) Income tax expense	1270				(434,155)
<b>= PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES</b>	1280			<b>(262,938)</b>	<b>1,552,821</b>
(+/-) Profit (loss) from discontinued operations, net of tax	1285			65,051	
<b>= CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>	1288			<b>(197,887)</b>	<b>1,552,821</b>
a) Profit (loss) for the period attributable to the parent company	1300			(194,657)	1,549,492
b) Profit (loss) attributable to non-controlling interests	1289			(3,230)	3,329

EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
Basic	1290			(0.06)	0.50
Diluted	1295			(0.06)	0.50

Comments

IV. SELECTED FINANCIAL INFORMATION

7. CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (ADOPTED IFRS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT PERIOD 31/07/2020	PREVIOUS PERIOD 31/07/2019
<b>A) CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)</b>	1305			(197,887)	1,552,821
<b>B) OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE NOT RECLASSIFIED TO PROFIT OR LOSS:</b>	1310				
1 From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets	1311				
2 From actuarial gains and losses	1344				
3 Share in other comprehensive income of investments in joint ventures and associates	1342				
4 Equity instruments with changes through other comprehensive income	1346				
5 Other income and expenses that are not reclassified to profit or loss	1343				
6 Tax effect	1345				
<b>C) OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS:</b>	1350			(339,953)	71,745
1. Hedging transactions:	1360			(4,980)	23,307
a) Valuation gains/(losses)	1361			(9,949)	15,377
b) Amounts transferred to profit or loss	1362			4,969	7,930
c) Amounts transferred to initial carrying amount of hedged items	1363				
d) Other reclassifications	1364				
2. Translation differences:	1365			(335,394)	55,270
a) Valuation gains/(losses)	1366			(335,394)	55,270
b) Amounts transferred to profit or loss	1367				
c) Other reclassifications	1368				
3. Share in other comprehensive income of investments in joint ventures and associates:	1370				
a) Valuation gains/(losses)	1371				
b) Amounts transferred to profit or loss	1372				
c) Other reclassifications	1373				
4. Debt instruments at fair value through other comprehensive income	1381				
a) Valuation gains/(losses)	1382				
b) Amounts transferred to profit or loss	1383				
c) Other reclassifications	1384				
5. Other income and expenses that may subsequently be reclassified to profit or loss	1375				
a) Valuation gains/(losses)	1376				
b) Amounts transferred to profit or loss	1377				
c) Other reclassifications	1378				
6 Tax effect	1380			421	(6,832)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A + B + C)</b>	1400			(537,840)	1,624,566
a) Attributable to the parent	1398			(534,610)	1,621,237
b) Attributable to non-controlling interests	1399			(3,230)	3,329

Comments

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (ADOPTED IFRS) (1/2)

Units: Thousand euros

CURRENT PERIOD	Equity attributable to the parent company						Non-controlling interests	Total equity
	Capital and reserves					Valuation adjustments		
	Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period attributable to the parent	Other equity instruments			
<b>Closing balance at 01/02/2020</b>	3110	93,500	11,646,403	(59,960)	3,639,104	(405,846)	35,811	14,949,012
Adjustments for changes in accounting policy	3111							
Adjustment for errors	3112							
<b>Adjusted opening balance</b>	3115	93,500	11,646,403	(59,960)	3,639,104	(405,846)	35,811	14,949,012
<b>I. Total comprehensive income for the period</b>	3120				(194,657)	(339,953)	(3,230)	(537,840)
<b>II. Transactions with shareholders or owners</b>	3125				(1,090,224)			(1,090,224)
1. Capital increases/ (reductions)	3126							
2. Conversion of financial liabilities into equity	3127							
3. Distribution of dividends	3128				(1,090,224)			(1,090,224)
4. Net trading with treasury stock	3129							
5. Increases/ (decreases) for business combinations	3130							
6. Other transactions with shareholders or owners	3132							
<b>III. Other changes in equity</b>	3135		2,517,549	8,522	(2,548,880)	11,695	(3,006)	(14,120)
1. Equity-settled share-based payment	3136		(13,750)	8,522				(5,228)
2. Transfers between equity accounts	3137		2,537,185		(2,548,880)	11,695		
3. Other changes	3138		(5,886)				(3,006)	(8,892)
<b>Closing balance at 31/07/2020</b>	3140	93,500	14,163,952	(51,438)	(194,657)	(734,104)	29,575	13,306,828

Comments:

IV. SELECTED FINANCIAL INFORMATION  
8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (ADOPTED IFRS) (2/2)

Units: Thousand euros

PREVIOUS PERIOD	Equity attributable to the parent company							Non- controlling interests	Total equity
	Capital and reserves					Valuation adjustments			
	Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period attributable to the parent company	Other equity instruments				
<b>Closing balance at 01/02/2019 (comparative period)</b>	3150	93,500	11,618,150	(77,077)	3,443,758	(425,536)	29,646	14,682,441	
Adjustments for changes in accounting policy	3151		(670,490)					(670,490)	
Adjustment for errors	3152								
<b>Adjusted opening balance (comparative period)</b>	3153	93,500	10,947,660	(77,077)	3,443,758	(425,536)	29,646	14,011,951	
<b>I. Total comprehensive income for the period</b>	3160				1,549,492	71,745	3,329	1,624,566	
<b>II. Transactions with shareholders or owners</b>	3165				(2,740,783)			(2,740,783)	
1. Capital increases/ (reductions)	3164								
2. Conversion of financial liabilities into equity	3167								
3. Distribution of dividends	3168				(2,740,783)			(2,740,783)	
4. Net trading with treasury stock	3169								
5. Increases/ (decreases) for business combinations	3170								
6. Other transactions with shareholders or owners	3172								
<b>III. Other changes in equity</b>	3175		680,050	17,112	(702,975)	(9,377)	143	(15,047)	
1. Equity-settled share-based payment	3176		(24,142)	17,112				(7,030)	
2. Transfers between equity accounts	3177		712,352		(702,975)	(9,377)			
3. Other changes	3178		(8,160)				143	(8,017)	
<b>Closing balance at 31/07/2019 (comparative period)</b>	3180	93,500	11,627,710	(59,965)	1,549,492	(363,168)	33,118	12,880,687	

IV. SELECTED FINANCIAL INFORMATION

9.A. CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2020	PREVIOUS PERIOD 31/07/2019
<b>A ) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)</b>	1435	(350,013)	2,889,333
<b>1. Profit (loss) before tax</b>	1405	(262,938)	1,986,976
<b>2. Adjustments to profit (loss):</b>	1410	1,565,818	1,403,662
(+) Depreciation and amortisation charge	1411	1,684,082	1,407,159
(+/-) Other net adjustments to profit (loss)	1412	(118,264)	(3,497)
<b>3. Changes in working capital</b>	1415	(1,429,919)	(49,829)
<b>4. Other cash flows from operating activities:</b>	1420	(222,974)	(451,476)
(-) Interest paid	1421		
(-) Payment of dividends and remuneration on other equity instruments	1430		
(+) Dividends received	1422		
(+) Interest received	1423		
(+/-) Income tax recovered/(paid)	1424	(222,974)	(451,476)
(+/-) Other sums received/(paid) from operating activities	1425		
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)</b>	1460	501,715	(642,416)
<b>1. Payments for investments:</b>	1440	(413,092)	(664,040)
(-) Group companies, associates and business units	1441		
(-) Property, plant and equipment, intangible assets and investment property	1442	(410,801)	(619,107)
(-) Other financial assets	1443		
(-) Non-current assets and liabilities classified as held-for-sale	1459		
(-) Other assets	1444	(2,291)	(44,933)
<b>2. Proceeds from sale of investments</b>	1450	914,807	21,624
(+) Group companies, associates and business units	1451		
(+) Property, plant and equipment, intangible assets and investment property	1452	36,186	
(+) Other financial assets	1453		
(+) Non-current assets and liabilities classified as held-for-sale	1461		
(+) Other assets	1454	878,621	21,624
<b>3. Other cash flows from investing activities</b>	1455		
(+) Dividends received	1456		
(+) Interest received	1457		
(+/-) Other sums received/(paid) from investing activities	1458		
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)</b>	1490	(758,821)	(2,322,924)
<b>1. Sums received/(paid) in respect of equity instruments</b>	1470		
(+) Issuance	1471		
(-) Redemption	1472		
(-) Acquisition	1473		
(+) Disposal	1474		
<b>2. Sums received/(paid) in respect of financial liability instruments:</b>	1480	(25,053)	(2,549)
(+) Issuance	1481		
(-) Repayment and redemption	1482	(25,053)	(2,549)
<b>3. Payment of dividends and remuneration on other equity instruments</b>	1485		(1,370,392)
<b>4. Other cash flows from financing activities</b>	1486	(733,768)	(949,983)
(-) Interest paid	1487		
(+/-) Other sums received/(paid) from financing activities	1488	(733,768)	(949,983)
<b>D) EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE</b>	1492	(125,209)	18,554
<b>E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>	1495	(732,328)	(57,453)
<b>F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>	1499	4,779,856	4,865,638
<b>G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)</b>	1500	4,047,528	4,808,185

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

		CURRENT PERIOD 31/01/2020	PREVIOUS PERIOD 31/01/2019
(+) Cash on hand and at banks	1550	3,294,728	3,077,854
(+) Other financial assets	1552	752,800	1,730,331
(-) Less: Bank overdrafts repayable on demand	1553		
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	1600	4,047,528	4,808,185

Comments

IV. SELECTED FINANCIAL INFORMATION			
9.B. CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD) (ADOPTED IFRS)			
Units: Thousand euros			
		CURRENT PERIOD 31/07/2020	PREVIOUS PERIOD 31/07/2019
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)</b>		8435	
(+) Proceeds from operating activities		8410	
(-) Payments to suppliers and to personnel for operating expenses		8411	
(-) Interest paid		8421	
(-) Payment of dividends and remuneration on other equity instruments		8422	
(+) Dividends received		8430	
(+) Interest received		8423	
(+/-) Income tax recovered/(paid)		8424	
(+/-) Other sums received/(paid) from operating activities		8425	
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)</b>		8460	
<b>1. Payments for investments:</b>		8440	
(-) Group companies, associates and business units		8441	
(-) Property, plant and equipment, intangible assets and investment property		8442	
(-) Other financial assets		8443	
(-) Non-current assets and liabilities classified as held for sale		8459	
(-) Other assets		8444	
<b>2. Proceeds from sales of investments</b>		8450	
(+) Group companies, associates and business units		8451	
(+) Property, plant and equipment, intangible assets and investment property		8452	
(+) Other financial assets		8453	
(+) Non-current assets and liabilities classified as held for sale		8461	
(+) Other assets		8454	
<b>3. Other cash flows from investing activities</b>		8455	
(+) Dividends received		8456	
(+) Interest received		8457	
(+/-) Other sums received/(paid) from investment activities		8458	
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)</b>		8490	
<b>1. Sums received/(paid) in respect of equity instruments</b>		8470	
(+) Issuance		8471	
(-) Redemption		8472	
(-) Acquisition		8473	
(+) Disposal		8474	
<b>2. Sums received/(paid) in respect of financial liability instruments:</b>		8480	
(+) Issuance		8481	
(-) Repayment and redemption		8482	
<b>3. Payment of dividends and remuneration on other equity instruments</b>		8485	
<b>4. Other cash flows from financing activities</b>		8486	
(-) Interest paid		8487	
(+/-) Other sums received/(paid) from financing activities		8488	
<b>D) EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE</b>		8492	
<b>E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>		8495	
<b>F) CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD</b>		8499	
<b>G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)</b>		8500	

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
		CURRENT PERIOD 31/07/2020	PREVIOUS PERIOD 31/07/2019
(+) Cash on hand and at banks		8550	
(+) Other financial assets		8552	
(-) Less: Bank overdrafts repayable on demand		8553	
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		8600	

IV. SELECTED FINANCIAL INFORMATION

10. DIVIDENDS PAID

		CURRENT PERIOD			PREVIOUS PERIOD		
		Euros per share (X.XX)	Amount (thousand euros)	No. of shares to be delivered	Euros per share (X.XX)	Amount (thousand euros)	No. of shares to be delivered
Ordinary shares	2158				0.44	1,370,392	
Other shares (non-voting shares, redeemable shares, etc.)	2159						
<b>Total dividends paid</b>	<b>2160</b>				0.44	1,370,392	
a) Dividends charged to profit and loss	2155				0.44	1,370,392	
b) Dividends charged to reserves premium or share	2156						
c) Dividends in kind	2157						
d) Flexible payment	2154						

Comments

IV. SELECTED FINANCIAL INFORMATION

11. SEGMENT INFORMATION

Units: Thousand euros

GEOGRAPHIC AREA		Distribution of revenue by geographic area			
		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Spanish market	2210	429,904	752,068	1,277,332	2,161,013
International market:	2215	2,299,765	3,629,110	6,755,686	10,659,178
a) European Union	2216	1,060,123	1,564,900	2,878,056	4,751,000
a.1) Euro Area	2217	801,166	1,092,622	2,368,416	3,505,010
a.2) Non-Euro Area	2218	258,957	472,278	509,640	1,245,990
b) Other	2219	1,239,642	2,064,210	3,877,630	5,908,178
<b>TOTAL</b>	<b>2220</b>	<b>2,729,669</b>	<b>4,381,178</b>	<b>8,033,018</b>	<b>12,820,191</b>

Comments

SEGMENTS		CONSOLIDATED			
		Ordinary revenue		Profit (loss)	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Zara and Zara Home	2221	5,532,358	8,895,014	(184,076)	1,438,035
Bershka	2222	692,414	1,079,750	(22,215)	147,878
Others	2223	1,808,246	2,845,427	(56,647)	401,062
	2224				
	2225				
	2226				
	2227				
	2228				
	2229				
	2230				
<b>TOTAL of reportable segments</b>	<b>2235</b>	<b>8,033,018</b>	<b>12,820,191</b>	<b>(262,938)</b>	<b>1,986,975</b>

Comments

IV. SELECTED FINANCIAL INFORMATION
<b>12. AVERAGE WORKFORCE</b>

		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
<b>AVERAGE WORKFORCE</b>	<b>2295</b>	2,290	2,130	156,240	167,897
Men	<b>2296</b>	1,026	934	38,266	41,221
Women	<b>2297</b>	1,264	1,196	117,974	126,676

IV. SELECTED FINANCIAL INFORMATION
<b>13. REMUNERATION RECEIVED BY DIRECTORS AND MANAGING DIRECTORS</b>

Units: Thousand euros

**DIRECTORS:**

Type of remuneration:

		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Remuneration for membership on the board and/or board committees	<b>2310</b>	1,240	1,019
Fixed salaries	<b>2311</b>	2,375	1,679
Variable retribution in cash	<b>2312</b>		
Share-based remuneration systems	<b>2313</b>		
Termination benefits	<b>2314</b>		
Long Term saving systems	<b>2315</b>		
Other items	<b>2316</b>		
<b>TOTAL</b>	<b>2320</b>	3,615	2,698

**MANAGERS:**

		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Total remuneration paid to managers	<b>2325</b>	9,605	9,311

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (1/2)

Units: Thousand euros

EXPENSES AND REVENUE		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Finance costs	2340					
2) Leases	2343	17,792			443	18,235
3) Services received	2344					
4) Purchase of inventories	2345			302,647	153	302,800
5) Other expenses	2348				1	1
<b>TOTAL EXPENSES (1+2+3+4+5)</b>	<b>2350</b>	<b>17,792</b>		<b>302,647</b>	<b>597</b>	<b>321,036</b>
6) Finance income	2351					
7) Dividends received	2354					
8) Services rendered	2356				1,645	1,645
9) Sale of inventories	2357	421				421
10) Other income	2359	26		18	4	48
<b>TOTAL REVENUE (6+7+8+9+10)</b>	<b>2360</b>	<b>447</b>	<b>18</b>	<b>18</b>	<b>1,649</b>	<b>2,114</b>

OTHER TRANSACTIONS		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Financing agreements: loans and capital contributions (lender)	2372					
Financing agreements: loans and capital contributions (borrower)	2375					
Guarantees and collateral given	2381					
Guarantees and collateral received	2382					
Commitments assumed	2383					
Dividends and other earnings distributed	2386					
Other transactions	2385					

BALANCES ON THE REPORTING DATE		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Trade receivables	2341			656	395	1,051
2) Loans and credit given	2342					
3) Other receivables	2346					
<b>TOTAL RECEIVABLES (1+2+3)</b>	<b>2347</b>			<b>656</b>	<b>395</b>	<b>1,051</b>
4) Trade payables	2352	6,605			57	6,662
5) Loans and credit received	2353					
6) Other payment obligations	2355					
<b>TOTAL PAYABLES (4+5+6)</b>	<b>2358</b>	<b>6,605</b>			<b>57</b>	<b>6,662</b>

Comments

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (2/2)

Units: Thousand euros

EXPENSES AND REVENUE		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Finance costs	6340					
2) Leases	6343	21,248				21,248
3) Services received	6344					
4) Purchase of inventories	6345			477,791		477,791
5) Other expenses	6348				7	7
<b>TOTAL EXPENSES (1+2+3+4+5)</b>	<b>6350</b>	<b>21,248</b>		<b>477,791</b>	<b>7</b>	<b>499,046</b>
6) Finance income	6351					
7) Dividends received	6354					
8) Services rendered	6356				23	23
9) Sale of inventories	6357					
10) Other income	6359		14		8	22
<b>TOTAL REVENUE (6+7+8+9+10)</b>	<b>6360</b>		<b>14</b>		<b>31</b>	<b>45</b>

OTHER TRANSACTIONS		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Financing agreements: loans and capital contributions (lender)	6372					
Financing agreements: loans and capital contributions (borrower)	6375					
Guarantees and collateral given	6381					
Guarantees and collateral received	6382					
Commitments assumed	6383					
Dividends and other earnings distributed	6386					
Other transactions	6385					

BALANCES ON THE REPORTING DATE		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Trade receivables	6341	1		5	28	34
2) Loans and credit given	6342					
3) Other receivables	6346					
<b>TOTAL RECEIVABLES (1+2+3)</b>	<b>6347</b>	<b>1</b>		<b>5</b>	<b>28</b>	<b>34</b>
4) Trade payables	6352	447			39	486
5) Loans and credit received	6353					
6) Other payment obligations	6355					
<b>TOTAL PAYABLES (4+5+6)</b>	<b>6358</b>	<b>447</b>			<b>39</b>	<b>486</b>

Comments

V. HALF YEARLY FINANCIAL INFORMATION

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**VI. AUDIT REPORT**

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**Industria de Diseño  
Textil, S.A. and  
Subsidiaries**

Report on Limited Review

Interim Condensed Consolidated  
Financial Statements and  
Interim Directors' Report for  
the First Half of 2020

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails*

## REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Industria de Diseño Textil, S.A. (hereafter "the Parent") and Subsidiaries (hereafter "the Group"), which comprise the condensed consolidated balance sheet as at 31 July 2020, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and notes thereto for the six-month period then ended. The Parent's Board of directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, 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 conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations 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*

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 31 July 2020 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

#### *Emphasis of Matters*

We draw attention to Note 1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 January 2020. Our conclusion is not modified in respect of this matter.

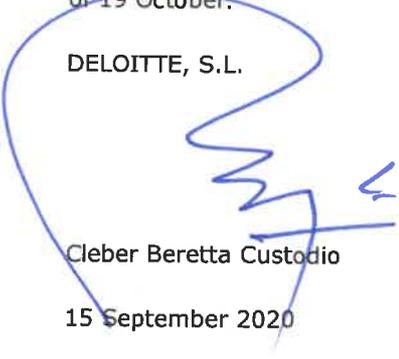
### **Report on Other Legal and Regulatory Requirements**

The accompanying interim consolidated directors' report for the six-month period ended 31 July 2020 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 31 July 2020. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope and did not include a review of any information other than that drawn from the accounting records of Industria de Diseño Textil, S.A. and Subsidiaries.

### **Paragraph about other matters**

This report was prepared at the request of the Board of Directors of the Parent in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.



Cleber Beretta Custodio

15 September 2020

**INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS AND INTERIM DIRECTORS' REPORT FOR  
THE FIRST HALF OF 2020**

*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 9). In the event of a discrepancy, the Spanish-language version prevails.*

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**INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

<b>(Amounts in millions of euros)</b>	<b>31/07/2020</b>	<b>31/07/2019</b>
Net sales	8,033	12,820
Cost of sales	(3,521)	(5,536)
<b>GROSS PROFIT</b>	<b>4,512</b>	<b>7,284</b>
	<b>56.2%</b>	<b>56.8%</b>
Operating expenses	(3,020)	(3,823)
Other losses and income, net	(6)	(14)
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>1,486</b>	<b>3,447</b>
Amortisation and depreciation	(1,684)	(1,407)
<b>NET OPERATING PROFIT (EBIT)</b>	<b>(198)</b>	<b>2,040</b>
Financial results	(76)	(77)
Results of companies accounted for using the equity method	11	24
<b>PROFIT BEFORE TAXES</b>	<b>(263)</b>	<b>1,987</b>
Income tax	65	(434)
<b>NET PROFIT</b>	<b>(198)</b>	<b>1,553</b>
<b>NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>	<b>(3)</b>	<b>3</b>
<b>NET PROFIT ATTRIBUTABLE TO THE PARENT</b>	<b>(195)</b>	<b>1,549</b>
<b>EARNINGS PER SHARE (*) , Euros</b>	<b>(0.062)</b>	<b>0.498</b>

(\*) EPS calculated on the basis of 3,114.8 million shares in 2020 and 3,114.2 million shares in 2019.

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2020.

**INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in millions of euros)	31/07/2020	31/07/2019
<b>Net profit</b>	<b>(198)</b>	<b>1,553</b>
<b>Items that will be reclassified to profit or loss in future years</b>		
<b>Other comprehensive income recognised directly in equity:</b>		
Translation differences related to financial statements of foreign operations	(335)	55
Cash flow hedges		
Profit	-	15
Loss	(10)	-
Tax effect	2	(3)
<b>Total</b>	<b>(343)</b>	<b>68</b>
<b>Transfers to profit or loss:</b>		
Cash flow hedges		
Profit	(8)	(3)
Loss	12	11
Tax effect	(2)	(4)
<b>Total</b>	<b>3</b>	<b>4</b>
<b>Total comprehensive income for the period</b>	<b>(538)</b>	<b>1,625</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Parent	(535)	1,621
Non-controlling interests	(3)	3
<b>Total comprehensive income for the period</b>	<b>(538)</b>	<b>1,625</b>

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2020.

**INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts in millions of euros)

31/07/2020 31/01/2020

**ASSETS**

	31/07/2020	31/01/2020
<b>NON-CURRENT ASSETS</b>	<b>15,921</b>	<b>16,977</b>
Rights of use	5,783	6,043
Other intangible assets	421	410
Goodwill	202	207
Property, plant and equipment	7,594	8,355
Investment property	21	21
Financial investments	250	249
Other non-current assets	438	456
Deferred tax assets	1,212	1,236
<b>CURRENT ASSETS</b>	<b>9,796</b>	<b>11,414</b>
Inventories	2,158	2,269
Trade and other receivables	667	780
Income tax receivable	360	174
Other current assets	105	78
Other financial assets	7	14
Current financial investments	2,451	3,319
Cash and cash equivalents	4,048	4,780
<b>TOTAL ASSETS</b>	<b>25,717</b>	<b>28,391</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	<b>13,307</b>	<b>14,949</b>
Equity attributable to the Parent	13,277	14,913
Equity attributable to non-controlling interests	30	36
<b>NON-CURRENT LIABILITIES</b>	<b>5,729</b>	<b>6,136</b>
Provisions	257	217
Other non-current liabilities	288	380
Financial debt	3	6
Lease liability	4,905	5,163
Deferred tax liabilities	276	370
<b>CURRENT LIABILITIES</b>	<b>6,681</b>	<b>7,306</b>
Financial debt	9	32
Other financial liabilities	47	40
Lease liability	1,646	1,649
Income tax payable	91	142
Trade and other payables	4,887	5,443
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,717</b>	<b>28,391</b>

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2020.

**INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<b>(Amounts in millions of euros)</b>	<b>From 1 February 2020 To 31 July 2020</b>	<b>From 1 February 2019 To 31 July 2019</b>
<b>Profit before taxes and non-controlling interest</b>	<b>(263)</b>	<b>1,987</b>
<b>Adjustments to profit</b>		
Amortisation and depreciation	1,684	1,407
Foreign exchange translation differences	(46)	(4)
Provisions for impairment	(156)	(54)
Results from companies consolidated by equity method	(11)	(24)
Lease financial expenses	65	75
Other	30	5
<b>Income tax</b>	<b>(223)</b>	<b>(451)</b>
<b>Funds from operations</b>	<b>1,080</b>	<b>2,939</b>
<b>Variation in assets and liabilities</b>		
Inventories	181	115
Receivables and other current assets	158	(74)
Current payables	(1,769)	(91)
<b>Changes in working capital</b>	<b>(1,430)</b>	<b>(50)</b>
<b>Cash flows from operating activities</b>	<b>(350)</b>	<b>2,889</b>
Payments relating to investments in intangible assets	(115)	(119)
Payments relating to investments in property, plant and equipment	(296)	(500)
Collections relating to divestments of property, plant and equipment	36	-
Payments relating investment in other assets	(2)	(3)
Collections relating investment in other assets	9	22
Changes in current financial investments	870	(42)
<b>Cash flows from investing activities</b>	<b>502</b>	<b>(642)</b>
Payments relating to non-current financial debt	-	(1)
Changes relating to current financial debt	(25)	(1)
Payments relating to leases	(734)	(950)
Dividends	-	(1,370)
<b>Cash flows used in financing activities</b>	<b>(759)</b>	<b>(2,323)</b>
Net increase in cash and cash equivalents	(607)	(76)
Cash and cash equivalents at the beginning of the period	4,780	4,866
Effect of exchange rate fluctuations on cash and cash equivalents	(125)	18
<b>Cash and cash equivalents at the end of the period</b>	<b>4,048</b>	<b>4,808</b>

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2020.

**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 31 January 2019</b>	<b>94</b>	<b>20</b>	<b>14,719</b>	<b>117</b>	<b>206</b>	<b>(77)</b>	<b>(420)</b>	<b>(6)</b>	<b>14,653</b>	<b>30</b>	<b>14,682</b>	
Adjustment on initial application of new Reporting standards			(670)						(670)		(670)	
<b>Balance at 1 February 2019</b>	<b>94</b>	<b>20</b>	<b>14,049</b>	<b>117</b>	<b>206</b>	<b>(77)</b>	<b>(420)</b>	<b>(6)</b>	<b>13,982</b>	<b>30</b>	<b>14,012</b>	
Profit for the year	-	-	1,549	-	-	-	-	-	1,549	3	1,553	
Distribute results	-	-	(54)	-	54	-	-	-	-	-	-	
Distribute dividends	-	-	45	-	(45)	-	-	-	-	-	-	
Transfers	-	-	9	-	-	-	(9)	-	-	-	-	
Other movements	-	-	(15)	1	-	-	-	-	(14)	-	(13)	
Argentina reexpression	-	-	5	-	-	-	-	-	5	-	5	
Other comprehensive income for the year	-	-	-	-	-	-	55	16	72	-	72	
· Translation differences related to foreign operations	-	-	-	-	-	-	55	-	55	-	55	
· Cash flow hedges	-	-	-	-	-	-	-	16	16	-	16	
Operations with equity holders or owners	-	-	(2,718)	(47)	-	17	-	-	(2,748)	-	(2,748)	
· Share-based payments recognition	-	-	-	6	-	-	-	-	6	-	6	
· Share-based payments	-	-	23	(53)	-	17	-	-	(13)	-	(13)	
· Dividends	-	-	(2,741)	-	-	-	-	-	(2,741)	-	(2,741)	
<b>Balance at 31 July 2019</b>	<b>94</b>	<b>20</b>	<b>12,871</b>	<b>71</b>	<b>215</b>	<b>(60)</b>	<b>(374)</b>	<b>11</b>	<b>12,848</b>	<b>33</b>	<b>12,881</b>	
<b>Balance at 1 February 2020</b>	<b>94</b>	<b>20</b>	<b>14,993</b>	<b>58</b>	<b>214</b>	<b>(60)</b>	<b>(402)</b>	<b>(4)</b>	<b>14,913</b>	<b>36</b>	<b>14,949</b>	
Profit for the year	-	-	(195)	-	-	-	-	-	(195)	(3)	(198)	
Distribute results	-	-	(251)	190	61	-	-	-	-	-	-	
Distribute dividends	-	-	25	-	(25)	-	-	-	-	-	-	
Transfers	-	-	(4)	-	(8)	-	12	-	-	-	-	
Other movements	-	-	(7)	-	(2)	-	-	-	(9)	(3)	(12)	
Argentina reexpression	-	-	3	-	-	-	-	-	3	-	3	
Other comprehensive income for the year	-	-	-	-	-	-	(335)	(5)	(340)	-	(340)	
· Translation differences related to foreign operations	-	-	-	-	-	-	(335)	-	(335)	-	(335)	
· Cash flow hedges	-	-	-	-	-	-	-	(5)	(5)	-	(5)	
Operations with equity holders or owners	-	-	(1,069)	(35)	-	9	-	-	(1,095)	-	(1,095)	
· Share-based payments recognition	-	-	-	-	-	-	-	-	-	-	-	
· Share-based payments	-	-	22	(35)	-	9	-	-	(5)	-	(5)	
· Dividends	-	-	(1,090)	-	-	-	-	-	(1,090)	-	(1,090)	
<b>Balance at 31 July 2020</b>	<b>94</b>	<b>20</b>	<b>13,497</b>	<b>212</b>	<b>240</b>	<b>(51)</b>	<b>(726)</b>	<b>(9)</b>	<b>13,277</b>	<b>30</b>	<b>13,307</b>	

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2020.

*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 9). In the event of a discrepancy, the Spanish-language version prevails.*

## **EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 31 JULY 2020**

### **1 Basis of presentation**

The interim condensed consolidated financial statements of the Inditex Group, the parent of which is Industria de Diseño Textil, S.A. (“the Group”, “the Group Inditex”, “the Company” or “Inditex”) for the six-month period ended 31 July 2020 (“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 Financial Statements for the year ended 31 January 2020. These interim financial statements were prepared by the Board of Directors at its meeting held on 15 September 2020.

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 2020 will hereinafter be referred to as the “first half of 2020” and the six-month period ended 31 July 2019 as the “first half of 2019”.

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 2020 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 2020 and 2019, except with respect to the interim condensed consolidated balance sheet, which compares 31 July 2020 with 31 January 2020. There have been no significant changes in the consolidation scope in the first half of 2020.

### **COVID-19**

First of all, Inditex wishes to express its solidarity with everyone affected by the COVID-19 pandemic. Our main priority is the health and safety of the local communities and employees. We would like to express our enormous gratitude for the total dedication of our employees during the period.

Although the Group’s business and profits for the first half-year period of 2020 have been affected by the pandemic, its business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations. Accordingly, during the first six months of the year, it has continued to implement the fully integrated platform underpinned by the key strategic pillars of store & online integration, digitalisation and sustainability.

Although the COVID-19 pandemic has had a material impact on most of the markets where the Group operates as a result of the measures of confinement and restrictions to movement, the flexibility of the business model has been a key aspect in operational and financial performance of the period. To minimise the impact of this situation, Inditex has very actively managed its supply chain, inventory and operating costs. The supplier markets, and therefore the Group’s supply chain, have also suffered the effects of the pandemic. The Group has implemented measures aimed at mitigating its impact by making the most of the flexibility of its supply model based on local sources and having a single inventory position.

During the first part of the half-year period, up to 90% of the stores were closed, although by the end of the period most of the retail markets were open, although with restrictions in some markets. The technological infrastructure and the digitalisation initiatives on which the Group's single strategy is based have made it possible to continue operating normally and efficiently during the pandemic, guaranteeing online sales, the efficient management of the single inventory and to address the key requirements safely and securely.

The pandemic has seen an increase in the volatility in some of the currencies to which the Group is exposed, but its negative impact cannot be considered as exceptional. Despite the fact of the pandemic having resulted in a general worsening of credit in the markets, especially at the beginning, the expected potential loss has not evolved significantly. In order to minimise the impact due to the slowdown in activity resulting from the pandemic, the Group has implemented measures intended to conserve the Group's liquidity, through close control of all lines of expenditure, including the cost of occupation, and the delay in paying part of the dividend. Furthermore, additional credit facilities have been opened, which in a very significant proportion are committed.

### DONATIONS

Since the beginning of the crisis, the company has made all of its logistic and operational capacities available in an attempt to mitigate the health crisis as much as possible.

Inditex has donated 25 million euros in different types of material and has transported over 150 million items of health protection. The expense related to these items is recorded in the Interim Condensed Consolidated Income Statement.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group's business plan is still in force, as the pandemic is considered to be a temporary situation that does not alter its long-term expectations. Therefore there has been no change in the method used for analysing the impairment of non-financial assets (rights of use and property, plant and equipment) in the half-yearly closing, which is described in note 2.2.f Impairment of the value of non-financial assets in the Consolidated Annual Accounts of the Inditex Group for the 2019 financial period.

The outcome of the analysis of the impairment corresponding to the first six months of the year has shown a provision of 1 million euros.

In addition, the Group has performed a sensitivity analysis on the result of the impairment test in the light of the following assumptions:

- A 100 basis point increase in the discount rate.
- A 5% reduction on future flows.

These sensitivity analyses performed separately for each assumption would reveal the existence of an additional impairment of 0.2 million euros.

### CAPITALISATION OF TAX LOSSES

In the same line as above regarding the impairment of non-financial assets, the Group's business plan is still in effect; accordingly, the tax losses sustained in the period have been capitalised on the basis of their possible recovery.

### INVENTORIES

At 2019 year end Inditex allocated a provision of 287 million euros for the estimated impact of the COVID-19 pandemic on the net realisable value of the inventory of the Spring/Summer campaign at 31 January 2020, which was used in the first half-year of the period.

At the close of the first half-year of 2020, the provision for impairment in inventory for the Autumn/Winter season has been estimated taking into consideration the updated sales forecast for the second six months of the period.

## FINANCIAL POSITION

At the close of the period, Inditex has a solid financial position, and a negative working capital as a result of the business model.

The net financial position stands at 6,486 million euros. In addition, the Group has undrawn credit facilities amounting to 4,470 million euros.

The Group's Finance Department continues making regular assessments of the credit risk to which it is exposed, taking the necessary measures in accordance with its financial risk management policy.

In the note Risks and Uncertainties of the interim consolidated condensed Directors' Report, an explanation is given of the impact of the pandemic on the identified risks of the Inditex Group.

The Alternative Performance Measures (Gross Profit, EBITDA, EBIT, PBT, ROE, ROCE, working capital, net financial position, average financial position, store operating profit and quarterly results for separate quarters) are defined in the initial Note to the Consolidated Annual Accounts for 2019.

## **2 Accounting policies and basis of consolidation**

The accounting policies and basis of consolidation adopted to prepare these interim financial statements at 31 July 2020 are the same as those used to prepare the consolidated annual accounts for 2019, although in addition we have considered the standards and interpretations whose date of mandatory application for the group was 1 February 2020:

### **Standards issued and approved for application in the European Union as from 1 January 2020**

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which bring the concept of materiality in line with the definition given in the conceptual framework.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Information for disclosure. These amendments, which affect the requirements of hedging relationships, to the effect that the existing hedge accounting will not be affected by the Interest Rate Benchmark reform.
- Amendment to IFRS 3 Business Combinations, which includes clarifications to the definition of business.

The Group applies these amendments since 1 February 2020 even though they have had no relevant impact on the condensed consolidated financial statements.

### **Standards and Amendments issued and pending approval for use in the European Union**

At the time of preparing these condensed consolidated financial statements, the IASB has issued the following standards and amendments which are pending adoption by the European Union:

- IFRS 17 - Insurance contracts. It replaces IFRS 4, setting out the principles of registration, valuation, presentation and disclosure of insurance contracts to enable the entity to provide relevant and reliable information that allows users of the information to determine the effect that the contracts have on Financial Statements. Mandatory in the years beginning on 1 January 2023.
- Amendment to IFRS 16 – Leases. Until 30 August 2021, this amendment allows lessees not to account for the improvements obtained in negotiating rental agreements related to the situation

created by the COVID-19 pandemic as an amendment to the contract, but as variable rent payments.

- Amendment to IAS 1 Presentation of Financial Statements that introduces certain modifications and clarifications for classifying liabilities as current and non-current. The initial date anticipated for applying the amendment is 1 January 2023.
- Amendment to IFRS 4 Insurance contracts which extends the temporary exemption from applying IFRS 9 until the date of mandatory application of IFRS 17. Mandatory in the years beginning on 01 January 2021.
- Minor amendments to IFRS 3 Business combinations, IAS 16 Property, plant and equipment, IAS 37 Provisions, contingent liabilities and contingent assets and annual improvements to the 2018-2020 cycle. Mandatory in the years beginning on 01 January 2022.

On the basis of the analyses made, these standards and amendments are not expected to have any relevant impact on the consolidated financial statements of the Group at the time of application.

In preparing the interim condensed consolidated financial statements at 31 July 2020 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. Note 1 above describes the main uncertainties facing the Group and the estimates made in relation to the impact of the COVID-19 pandemic on the Group. All other estimates made by the Finance Department are the same as those used in the consolidated annual accounts for 2019, and basically refer to:

- The determination of the inventory cost.
- The useful life of property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets.
- 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.
- With regard to the lease agreements, the lease term, the determination of fixed and variable payments, the assessment of whether or not an agreement is or contains a lease, the effective starting date of the agreement and the discount rate.

These estimates were made using the best information available at 31 July 2020. 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.

Although the pandemic has led to business results that cannot be compared to the previous period, considering the activities in which the Group companies engage, its transactions are not substantially cyclical or seasonal in nature. Therefore, no specific disclosures are included in this connection in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 31 July 2020.

### **3 Activity and description of the Group**

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

Inditex is listed on all the four Spanish stock exchanges.

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

Inditex carries out its activity through various retail concepts such as Zara, Zara Home, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe. Each concept is carried out through a store and online integrated 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 quickness of the product's useful lifecycle, from the design to the sale, would not be possible without the integration and flexibility that characterise all the phases of the value chain: design, production, logistics, integrated stores and online, and customers.

Commercial and design teams are customer oriented. 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.

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 2020, the various Group concepts had stores in 96 markets with the following geographical distribution:

	Number of stores		
	Company managed	Franchises	Total
Spain	1,500	40	1,540
Rest of Europe	3,210	151	3,361
America	669	180	849
Rest of the World	859	728	1,587
<b>Total</b>	<b>6,238</b>	<b>1,099</b>	<b>7,337</b>

#### 4 Segment reporting

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

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

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

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

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

The Inditex Group segment information is as follows:

### 1H2020

	Zara/Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	5,584	693	1,809	(53)	8,033
Profit before taxes	(185)	(23)	(57)	2	(263)
Amortisation and depreciation	1,095	161	431	(3)	1,684
Segment total assets	20,395	1,377	3,945	-	25,717

### 1H2019

	Zara/Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	8,953	1,080	2,846	(59)	12,820
Profit before taxes	1,442	148	408	(10)	1,987
Amortisation and depreciation	941	125	334	7	1,407
Segment total assets	21,337	1,432	4,473	-	27,242

For presentation purposes Inditex has integrated the reporting of Zara Home into Zara due to the existing synergies between both concepts. The goal is to leverage the operational and brand management of the combined store and online platform. We plan to progressively incorporate Zara Home products onto the Zara website across a number of markets.

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 consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's profit/ (loss) before taxes refers to "Profit/(loss) before taxes" in the 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 2020 amount to 449 million euros (first half of 2019: 725 million euros) and relate basically to those made in 2020 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.

Inditex has decided to absorb between 1,000 and 1,200 stores during 2020 and 2021. The plan includes 500-600 units each year. The streamlining plan is focussed on stores at the end of their useful life,

especially those in the younger formats, whose sales can be recuperated in local shops and online. The impact of this initiative is 308 million euros and it has been included under the heading "Amortisation and depreciation" on the income statement for the first half of 2020.

## 6 Capital and reserves

### Share capital

At 31 July 2020 and 31 January 2020, the Company's share capital amounted to 94 million euros and was divided into 3,116,652,000 fully subscribed and paid-in shares with an individual par value of 0.03 euros. All shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries and listed on the four Spanish stock exchanges.

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

According to the Company's register of Shareholders and also pursuant to public information registered at the Spanish National Securities Market Commission (CNMV), at 31 January 2020 and 31 July 2020, the members of the Board of Directors directly or indirectly owned 59.371% of the Company's share capital. Pontegadea Inversiones, S.L. owns 50.010%.

### Treasury shares

The Annual General Meeting held on 19 July 2016, approved a Long-Term Incentive Plan 2016-2020 (Note 26 of the consolidated financial statements for 2018) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. The Annual General Meeting held on 16 July 2019 also approved a Long-Term Incentive Plan 2019-2023 (Note 26 of the consolidated financial statements for 2019) and authorised the Board of Directors for the derivative acquisition of treasury shares to cater for this plan, invalidating the previous authorisation.

At 31 January 2020, the Company owned 2,125,384 treasury shares, representing 0.068% of the share capital.

During the first half of 2020, the Company proceeded to settle the second cycle (2017-2020) of the 2016-2020 Plan and to award shares to its beneficiaries. Accordingly, at 31 July 2020, the Company holds 1,726,305 treasury shares, representing 0.055% of the share capital.

### Dividends

In its meeting held on 17 March 2020, following the favourable report from the Audit and Compliance Committee and taking into account the situation of uncertainty caused by the Coronavirus pandemic, the Board of Directors thought the conditions at that time were not appropriate for deciding on a distribution of dividends in the framework of the proposed application of the profits from 2019, and agreed to refer to a subsequent Board of Directors prior to holding the Shareholders' Annual General Meeting, the final proposal to be put to the General Meeting on that distribution.

Accordingly, in the Board of Directors meeting held on 9 June 2020, following the favourable report from the Audit and Compliance Committee, it was decided to submit the proposal to the Annual General Meeting of the Company for the distribution of a dividend for the gross amount of 0.35 euros per share, charged against voluntary reserves. In view of the exceptional situation, the Board of Directors also decided to adapt the time frames for complying with the current Dividends policy, in respect of paying the extraordinary dividend. With this, the extraordinary dividend of 1 euro gross per share, which was anticipated to be paid in 2019 (already paid in the amount of 0.22 euros gross per share), 2020 and 2021, will be paid in 2019 (already paid in the amount of 0.22 euros gross per share), 2021 and 2022.

On 14 July 2020, the Annual General Meeting approved that dividend distribution charged against the voluntary reserves, which will be paid on 2 November 2020 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 2020, under the heading "Payables" on the accompanying interim condensed consolidated balance sheet, the total amount pending payment is shown.

## 7 Income taxes

The accrued income tax expense for the first half of 2020 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 or loss 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/income recognised in the interim condensed consolidated income statement for the period ended 31 July 2020 and 2019 was calculated by applying an effective tax rate of 24.7% and 21.9%, respectively.

Certain Group companies are being audited for tax purposes, including most notably those domiciled in Spain, Italy and Sweden.

The Group does not expect any significant additional liabilities to arise as a result of these audits or those that could be carried out in the future in relation to periods that are not yet statute-barred.

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

### Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and Senior Management of the Parent Company in the first half of 2020 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, as defined in Article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official markets must disclose.

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

### Inditex Group companies

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

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

Transactions:

<u>Type of company</u>	<u>1H2020</u>	<u>1H2019</u>
Jointly controlled entities	(303)	(478)

Balances:

	31/07/2020	31/07/2019
Current financial investments	1	35
Trade and other receivables	14	14
Non-current financial	247	253
Trade and other payables	205	315
Current financial debt	-	1

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

### Significant Shareholders

In the first half of 2020 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

#### **1H2020**

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Payments related to leases	(18)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services	2
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Payments related to leases	(1)

#### **1H2019**

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Payments related to leases	(20)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Payments related to leases	(1)

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

### Members of the Board of Directors and Senior Management

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

The remuneration and termination benefits due to the Directors and Senior Management of Inditex during the first half-year of 2020 are as follows:

	Thousands Euros	
	Directors	Senior Management
Remuneration	3,615	9,605
Termination benefits	-	-
<b>Total</b>	<b>3,615</b>	<b>9,605</b>

The amount shown in respect of members of the Board of Directors includes the remuneration due to the eleven (11) Directors for being members of the Board, and of the delegate committees, including the new Sustainability Committee, where appropriate. It also includes the proportional part of the fixed annual remuneration due to the two (2) executive directors in the performance of their executive functions.

The variable remuneration earned by the members of the Board of Directors and Senior Management in 2019, which was disclosed in the consolidated annual accounts for 2019, was paid in the first half of 2020.

In the first half of 2019 Inditex's members of the Board of Directors and Senior Management earned the following remuneration and termination benefits:

	Thousands Euros	
	Directors	Senior Management
Remuneration	2,698	9,311
Termination benefits	-	-
<b>Total</b>	<b>2,698</b>	<b>9,311</b>

Also, the variable remuneration earned by the members of the Board of Directors and Senior Management in 2018 was paid in the first half of 2019.

The amount shown in respect of members of the Board of Directors includes the remuneration due to the nine (9)<sup>1</sup> Directors for being members of the Board, and of the delegate Committees. It also includes the proportional part of the fixed annual remuneration due to the Executive Chairman in the performance of his executive functions, and due to the Chief Executive Officer, for the corresponding period from when he was appointed, that is, from 16 July 2019.

<sup>1</sup> Mr Carlos Crespo González was appointed as executive director in the Shareholders' Annual General Meeting held on 16 July 2019. The first half-year period of the 2019 financial year closed (on 31 July 2019) with a Board of Directors composed of ten (10) members.

## **9 Explanation added for translation to English**

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

**INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**

**INTERIM DIRECTORS' REPORT**

**FOR THE FIRST HALF OF 2020**

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

## **Interim Directors' Report at 31 July 2020**

(Amounts expressed in millions of euros)

### **Situation of the entity**

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

Our main activity consists of offering latest fashion trends (apparel, footwear, accessories and home textiles) with high quality and sustainability standards, at attractive prices and inspired in customer requirements.

This activity is carried out through eight commercial concepts: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each concept operates through an online and store model, that is managed in a direct and integrated way, except in certain markets where, for several reasons, the business is carried out through franchises.

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

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

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

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

### ***Organizational structure***

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

- Annual General Meeting
- Board of Directors
- Executive Committee
- Audit and Compliance Committee
- Appointments Committee
- Remunerations Committee
- Sustainability Committee
- Compliance Committee and Office of the Chief Compliance Officer
- Committee of Ethics

The company Zara España S.A. has acquired the status of Public Interest Entity due to meeting the requirements for two consecutive years as set out in article 15 of Royal Decree 1517/2011 of 31 October, which approves the Regulation implementing the revised text of the Act on Statutory Audit, approved under Royal Legislative Decree 1/2011, of 1 July.

In this respect, following the favourable report from the Audit and Compliance Committee, in its meeting held on 9 June 2020 the Board decided that this Committee would take over the functions of auditing Zara España S.A., in accordance with the provisions of sub-section 3.d) of the third additional provision

of the Act on Statutory Audit. With this, it is guaranteed that those functions are carried out by a highly qualified body, it contributes to the independence of its supervisory activity, and full advantage is taken of the synergies inherent to action at Group level.

## **Business performance and results**

### ***Key financial and non-financial indicators***

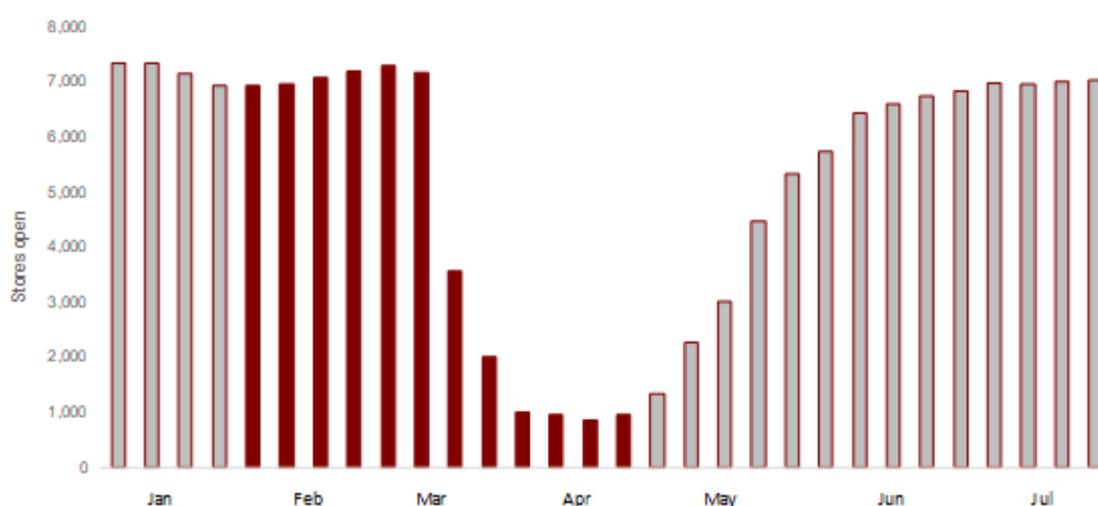
Inditex continues to expand its global, fully integrated platform underpinned by the key strategic pillars of store & online integration, digitalisation and sustainability.

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.

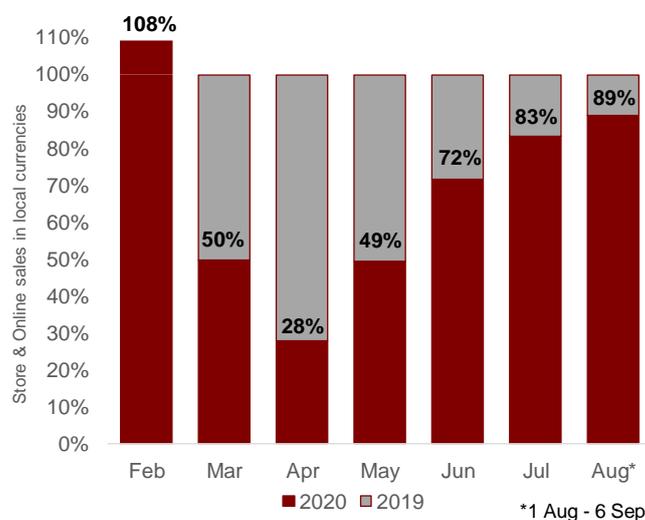
To minimise the impact we have actively managed our supply chain, inventory and operating expenses in the period.

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:



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. Total stores by concept is included in the table below:

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
<b>Total</b>	<b>7,337</b>	<b>7,420</b>

Net sales in 1H2020 reached €8 billion (€12.8 billion in 1H2019). Online sales grew strongly at 74% in 1H2020. Net sales by concept in 1H2020 and 1H2019 are shown in the table below:

	1H2020	1H2019
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
<b>Total</b>	<b>8,033</b>	<b>12,820</b>

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

Area	1H2020	1H2019
Europe ex-Spain	48.9%	44.4%
Asia & RoW	24.4%	24.0%
Spain	14.7%	15.6%
Americas	12.0%	16.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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).

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

	1H2020	1H2019
Net financial income (losses)	4	8
Lease financial expenses	(65)	(75)
Foreign exchange gains (losses)	(15)	(10)
<b>Total</b>	<b>(76)</b>	<b>(77)</b>

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.

### **Issues relating to sustainability and employees**

During the first half of FY2020, there have been no significant events and/or changes in terms of sustainability and employees, in relation to the content of Appendix IV of the consolidated Directors' Report for the 2019 financial year that ended on 31 January 2020, which contains the "Statement on Non-Financial Information" of the Inditex Group.

In that period the Group's strategy continued to be implemented, although in the context of a world-wide health crisis caused by COVID-19 pandemic, the Company has carried out continuous, exhaustive monitoring of its evolution, and has adopted a number of actions intended to mitigate its potential medium and short term effects.

In order to guarantee the health and wellbeing of our employees, customers and everyone who directly or indirectly provides services or supplies to the Company, we have implemented a global contingency plan in the different work centres to protect our employees from the potential risks of infection and spread of the virus, which include different preventive measures (such as hygiene guidelines, the restriction of visits and travel, among others) organisational and healthcare coordination measures, applicable according to the severity of the various scenarios considered. This contingency plan is constantly updated according to the evolution of the context.

In the same way, the commitments assumed with the Group suppliers continue in place, respecting all finished or current orders, and promoting the initiative Covid-19: Action in the Global Garment Industry, a joint initiative of the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union, international brands and with the backup of the International Labour Organization (ILO) with the aim of establishing the terms of an urgent response from the industry to the effects caused by Covid-19, focussing on supporting workers in the textile

sector, particularly in markets with less robust social protection systems. In this context, Inditex and IndustriALL signed a joint statement which reinforces their lasting cooperation in order to support the recovery of the industry. Furthermore, the Group has joined the initiatives “Uniting Business and Governments to Recover Better”, the “Alliance for sustainable economic recovery” and the “Business Ambition for 1.5°”.

As part of its social commitment, during the management of the health crisis, many lines of action were implemented to reduce its effects, such as placing the Group's entire logistics and purchasing capacity at the disposal of the emergency health services, having transported over 150 million items of health protection, and making donations of health-care material in an amount of 25 million euros.

On the issue of environmental sustainability, it is worth pointing out that the organisation Science Based Target Initiative (SBTi) approved our goal of decarbonisation through science-based targets (SBTs). To be specific, we have undertaken a 90% reduction in our Scope 1 and 2 emissions by 2030 compared to 2018 taken as the base year. We are also committed to a 20% reduction in our Scope 3 emissions (in the Supply Chain category), by 2030 compared to 2018. SBTi has defined these targets as ‘ambitious’, as the proposed reductions are more stringent than those marked by the most ambitious pathways for emission reductions available at present (1.5 °C for own operations and 2D or 2 °C for supply chain).

### **Liquidity and capital resources**

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

	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)
<b>Net financial cash (debt)</b>	<b>6,486</b>	<b>6,730</b>

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:

	31 July 2020	31 July 2019
Inventories	2,158	2,664
Receivables	667	841
Payables	(4,978)	(6,632)
<b>Operating working capital</b>	<b>(2,153)</b>	<b>(3,127)</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 substantially with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

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

## **Analysis of contractual obligations and off balance sheet transactions**

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

### **Main risk 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. Business environment**

Risk arising from external factors relating to the Group's business activities. This category includes risks relating to 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. These risks are inherent to the fashion retailing business and consist of the Group's potential inability to continue operating and react to changes in its target market or to adapt to new situations in the countries from which it obtains its supplies or in which it performs retail activities.

In this respect, geopolitical, demographic and socio-economic changes and public health crisis, which trigger country risk, in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could affect the optimal achievement of the Group's business targets. Business can also be affected by potential consequences of climate change, such as sharp changes in climatic cycles which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

Furthermore, the strong competitiveness of the industry, driven by new technologies and disruptive innovations, could condition the Group's ability to compete in an environment where the consumer profile is constantly evolving.

The COVID-19 pandemic has had a material impact on most of the markets where the Group operates as a result of the measures of confinement and restrictions to movement. During the first part of the half-year period, up to 90% of the stores were closed, although by the end of the period most of the retail markets were open. The supplier markets, and therefore the Group's supply chain, have also suffered the effects of the pandemic. The Group has implemented measures aimed at mitigating its impact by making the most of the flexibility of its supply model based on local sources and having a unified inventory position. In spite of the pandemic, there has been no interruption to the implementation of the unified model of store and online sales based on three key strategic lines: digitalisation, integration of physical store and digital world, and sustainability.

#### **2. Legislative and regulatory**

These are the risks to which the Group is exposed as a result of the legislation in force in the countries in which it carries on its business activities.

This category includes the risks relating to regulations on tax, customs, employment, trade and consumption, industrial and intellectual property, data protection and privacy, and also the risks relating to other aspects of legislation, particularly the regulatory risks of a criminal nature (including any possible risk of commission of offences related to corruption, fraud and bribery, legislation on cyber-security and environment, amongst others), whether or not they establish the criminal liability of a company, and also other risks of regulatory non-compliance.

The General Counsel's Office – Office of the Chief Compliance Officer supervises and manages the Inditex Group's regulatory compliance system in order to prevent legal (including criminal) risks, particularly any involving corruption, and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor the corporate best practices.

After having ceased to be a member of the European Union on 31 January 2020, the uncertainty continues regarding the terms in which the United Kingdom will abandon the Union at the end of the transition period, which ends on 31 December 2020. Until the end of the transition period, no changes are expected that could affect the Group's business operations in the United Kingdom.

There continues to be no visibility regarding the conditions that will regulate the relations between the United Kingdom and the EU after the transition period, especially in the event of the absence of any trade agreement between both sides, and the potential impact on the Group's business in the British market. The risks already identified continue to be taken into consideration (potential delays in merchandise deliveries, customs duties, volatility of the exchange rate, restrictions to the people's movements, modifications in contractual relationships and difficulties with key suppliers), for which contingency plans had already been defined which continue to be implemented.

### **3. Reputation**

These are risks which have a direct influence on the perception of the Group held 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 social and environmental sustainability, responsibility on account of 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.

### **4. Human resources**

The main risks relating to human resources are those arising from potential dependence on key employees and from the failure to keep an adequate work environment in all the work centres.

The Group has taken all the measures necessary to ensure the health and safety of its employees during the pandemic. The Group's digital infrastructure has made it possible to ensure the normal continuance of its activities, despite the measures of confinement and limited mobility as a consequence of the pandemic, which has affected all parts of the world where the Group operates.

### **5. Operational**

The main operational risks to which the Group is exposed arise from the possible difficulties involved in recognising and taking on board the ongoing changes in fashion trends, and in manufacturing, buying and putting on the market new items that meet customer expectations. Also the risks arising from the growing importance of technological innovations and evolutions in a broad sense, both in the interaction with customers and in the improvement of operational processes, to ensure commercial success.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events beyond the Group's control (natural disasters, fires, transport or key supplier strikes, interruptions in energy and fuel supplies, withholding of goods in freight, etc.), which could have a significant effect on the normal functioning of the Group's operations.

In view of the Group's operating structure, the main operational risks are concentrated at logistics centres and at third party operators transporting goods. Clothing, footwear, accessories and household products for all the chains are distributed from 14 logistics centres located all around Spain. Logistics distribution is complemented by the Lelystad logistics connection point, in the Netherlands, as well as other smaller logistics centres located in other countries and with third party logistics operators which carry out small scale distribution operations.

Other risks included under this category would be those associated with property management, particularly in relation to the search for and selection of commercial premises in line with the demanding requirements of the company, and the return from those premises. In addition, the relationship with

certain suppliers of goods and service providers is subject to certain risks that are not directly under our control and which could impact the normal development of some of the Group's operations.

## **6. Financial**

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes foreign currency exchange risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various markets.

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 pandemic has involved greater volatility in some of the currencies to which the Group is exposed; however, its negative impact cannot be considered as being exceptional.

The context of negative interest rates in the Economic and Monetary Union involves a risk of negative return on the Group's financial position.

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit card. In any event, the Group is exposed to the risk that the counterparties (mainly financial ones) fail to comply with the obligations resulting from the investment of the Company's cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks. Although the pandemic has resulted in a general credit crunch in the markets, especially at the beginning, the potential loss expected did not evolve significantly.

In order to minimise the impact due to the slowdown in activity resulting from the pandemic, the Group has implemented measures intended to conserve the Group's liquidity, through close control of all lines of expenditure, including the cost of occupation, and the delay in paying the extraordinary dividend. Furthermore, additional credit facilities have been opened, which in a very significant proportion are committed.

## **7. Information for decision-making**

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Management Planning and Control and the Administration Departments, which report to the Financial Division, are directly responsible for producing and supervising the quality of this information.

In response to the exceptional circumstances, there has been a strengthening of dialogue, coordination and interaction between executive directors, members of Senior Management and the heads of all business units in the different countries in order to guarantee proper monitoring and information flow, enabling rapid and appropriate decision-making, especially in relation to the critical areas or areas of major risk for the Group.

## 8. Technology and information systems

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 cyber-attacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

The technological infrastructure and the digitalisation initiatives on which the Group's unified strategy is based have made it possible to continue operating normally and efficiently during the pandemic, guaranteeing online sales, the efficient management of the unified inventory and to address the key requirements safely and securely.

## 9. Corporate governance

This category includes the risk relating to the possibility of the Group being inadequately managed as a result of possible non-compliance by the management team or members of the Board of Directors with existing rules, recommendations or best practices in the area of Corporate Governance, the transparency regulations of regulatory bodies or even the lack of professional ethics in their management.

With the aim of facilitating the decision-making process in a situation that is so exceptional, complex and changing, during the first half-year of 2020 the Board of Directors has been periodically informed of the evolution of the macroeconomic and social environment arising from the world-wide health crisis and its impact on Group activity and the main risk indicators, as well as of the different plans and contingency measures put into effect to minimise the negative impact.

In a context of de-escalation, marked by the existence of specific measures restricting mobility in certain areas of Spain, and in order to guarantee the normal functioning of the Company and the attainment of its targets, as well as to protect the interests of its shareholders and other stakeholders, the Shareholders Annual General Meeting was held in first call on 14 July 2020, with shareholders attending both in person and by video-conferencing. The Company set out and placed at their disposal the means necessary for guaranteeing equal treatment for all shareholders and the exercise of their rights to attend and participate in the Meeting using online methods.

With this, the Company implemented the preventive measures required for safeguarding the health of the people involved in its organisation and of the shareholders and representatives who were physically present.

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 Risk Management and Control Policy establishes the basic principles, key risk factors and the general action guidelines for managing and controlling the risks that affect the Group. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System.

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 risk include most notably:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy on Management of Insurable Risks.
- The Code of Conduct and of Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct of Manufacturer and Supplier.
- The Occupational Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy.
- The Standard for Procurement Management.
- The Policy on Communications and Contact with Shareholders, Institutional Investors and Proxy Advisers.
- The Policy and Procedure for Representatives and Attorneys.
- The Policy on Human Rights.
- The Diversity and Inclusion Policy.
- The Compliance Policy.
- The Tax Strategy and the Tax Policy.
- The Anti-Money Laundering and Terrorist Financing Policy.
- The Due Diligence Policy.
- The Conflicts of Interest Policy.
- The Donations and Sponsorships Policy.
- The Policy on Gifts and Business Courtesies.
- The Policy on Relations with Civil Servants.

For more details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2019.

#### **Events after the reporting period**

No significant events have occurred since the reporting date.

## **Information on the outlook for the Group**

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.

### **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.

### **R&D+I activities**

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

### **Acquisition and sale of treasure shares**

The Annual General Meeting held on 19 July 2016, approved a Long-Term Incentive Plan 2016-2020 (Note 26 of the consolidated financial statements for 2018) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. The Annual General Meeting held on 16 July 2019 also approved a Long-Term Incentive Plan 2019-2023 (Note 26 of the consolidated Report for the 2019 period) and authorised the Board of Directors for the derivative acquisition of treasury shares to cater for this plan, invalidating the previous authorisation.

At 31 January 2020, the Company owned 2,125,384 treasury shares, representing 0.068% of the share capital.

During the first half of 2020, the Company proceeded to settle the second cycle (2017-2020) of the 2016-2020 Plan and to award shares to its beneficiaries. Accordingly, at 31 July 2020, the Company holds 1,726,305 treasury shares, representing 0.055% of the share capital.

## **Other salient information**

### **Stock market information**

Inditex's market price stood at 22.52 euros per share at 31 July 2020, a 26% drop since the beginning of the year, while the Ibex 35 index posted a decrease of 27% in the same period. The average daily trading volume was approximately 4.2 million shares.

Inditex's market capitalisation stood at 70,187 million euros at the end of the six-month period, up 666% on its capitalisation when its shares were admitted to trading on 23 May 2001, as compared with a 29% decrease in the Ibex 35 index in the same period.

### ***Dividends policy***

In its meeting held on 17 March 2020, following the favourable report from the Audit and Compliance Committee and taking into account the situation of uncertainty caused by the Coronavirus pandemic, the Board of Directors thought the conditions at that time were not appropriate for deciding on a distribution of dividends in the framework of the proposed application of the profits from 2019, and agreed to refer to a subsequent Board of Directors prior to holding the Shareholders' Annual General Meeting, the final proposal to be put to the General Meeting on that distribution.

Accordingly, in the Board of Directors meeting held on 9 June 2020, following the favourable report from the Audit and Compliance Committee, it was decided to submit the proposal to the Annual General Meeting of the Company for the distribution of a dividend for the gross amount of 0.35 euros per share, charged against voluntary reserves. In view of the exceptional situation, the Board of Directors also decided to adapt the time frames for complying with the current Dividends policy, in respect of paying the extraordinary dividend. With this, the extraordinary dividend of 1 euro gross per share, which was anticipated to be paid in 2019 (already paid in the amount of 0.22 euros gross per share), 2020 and 2021, will be paid in 2019 (already paid in the amount of 0.22 euros gross per share), 2021 and 2022.

On 14 July 2020, the Annual General Meeting approved that dividend distribution charged against the voluntary reserves, which will be paid on 2 November 2020 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 2020, under the heading "Payables" on the accompanying interim condensed consolidated balance sheet, the total amount pending payment is shown.

### ***Other disclosures***

#### **Related party transactions**

Related party transactions are described in Note 8 to 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 2020.

#### **Alternative performance measures**

The Alternative Performance Measures (Gross Profit, EBITDA, EBIT, PBT, ROE, ROCE, working capital, net financial position, average financial position, store operating profit and quarterly results for separate quarters) are defined in the initial Note to the Consolidated Annual Accounts for 2019.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

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