

Interim Three Months 2020 & Strategy update

10 June 2020

INDITEX



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

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

Overview 1Q2020

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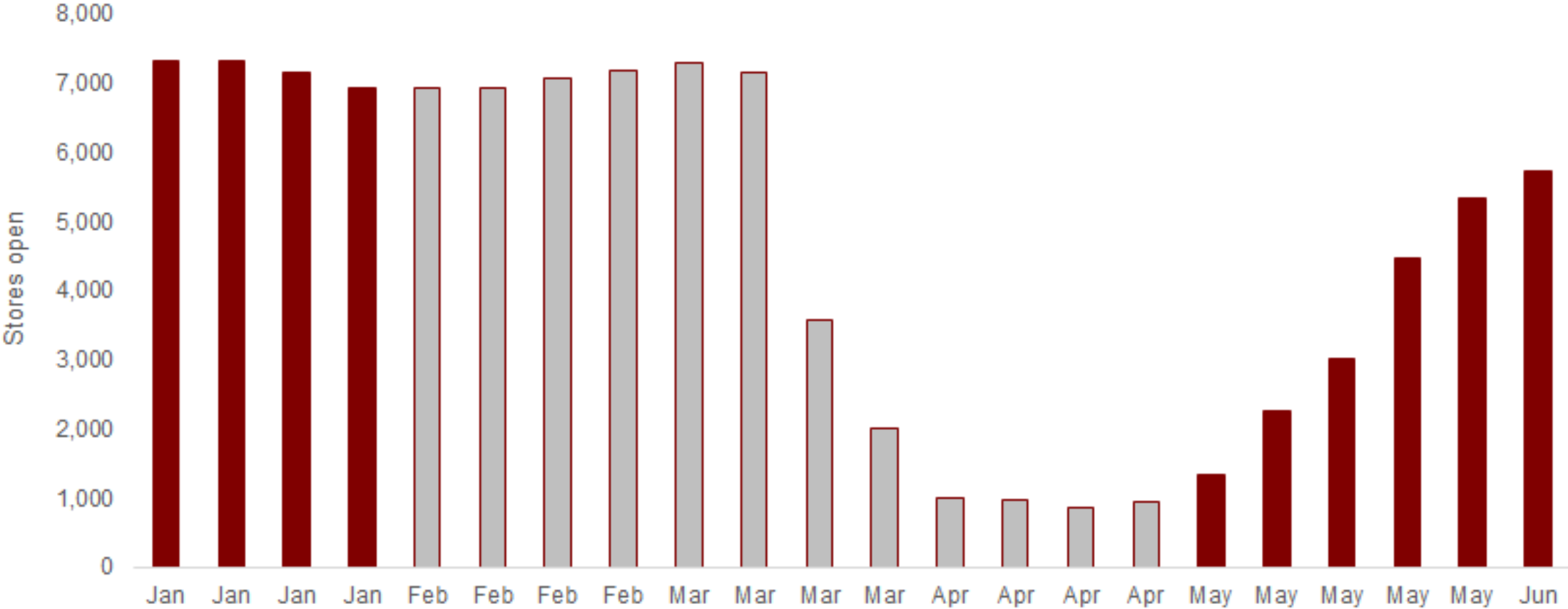
Covid-19 pandemic

- ▶ We express our solidarity with the people affected
- ▶ Our number one priority is the health and safety of local communities, customers and employees
- ▶ We want to express enormous gratitude to our dedicated teams who have been an inspiration during this period

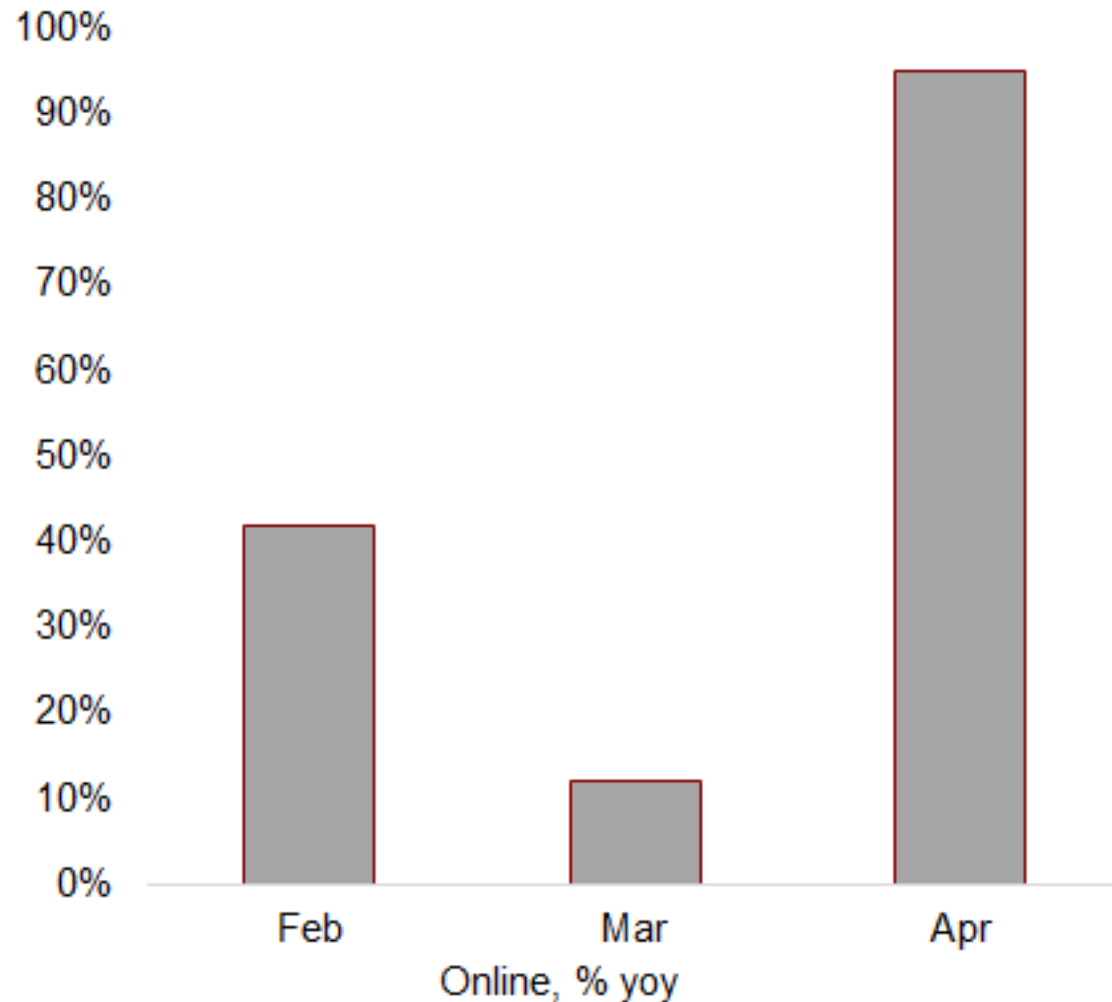
Overview 1Q2020

- ▶ Remain fully confident in our business model
- ▶ Collections for Spring/Summer 2020 very well received by customers
- ▶ Covid-19 has had a material impact on operations
- ▶ 965 stores in 27 markets remained open at the end of 1Q2020
- ▶ Online business has grown very strongly in all markets
- ▶ Supply chain continued to operate normally due to the flexibility of business model. Flexibility of supply chain has proven to be pivotal during this period.
- ▶ Progressive recovery in markets with reopened stores

1Q2020: Stores with sales



Online sales +50% in 1Q2020



- ▶ Very strong progression of online sales globally
- ▶ Strong advantage of single inventory position
- ▶ Online sales +95% in April

FY2020 to date

- ▶ Progressive recovery in all markets as stores reopen
- ▶ Store & Online sales in local currencies decreased 51% in May as stores start to reopen but still with restrictions.
- ▶ Store & Online sales in local currency from 2 June to 8 June decreased 34%. In the markets that were fully open (54% of total stores) sales decreased 16%.
- ▶ As of 8 June 5,743 stores were open in 79 markets
- ▶ Expect to reopen most key markets by end of June
- ▶ Remain fully confident in our business model

Financial Summary

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Interim Three Months 2020

€ million	1Q20	1Q19
Net sales	3,303	5,927
Gross profit	1,930	3,524
PBT*	(539)	952
Net income*	(409)	734

- ▶ Material impact of Covid-19 pandemic in 1Q2020 operations
- ▶ Very active management of supply chain
- ▶ Strong adjustment to operating expenses
- ▶ Completion of store optimisation includes €308m in Depreciation

*PBT (231m) and Net income (175m), excluding the provision for the completion of the store optimisation programme

Sales

€ million	1Q20	1Q19
Net sales	3,303	5,927

- ▶ Sales performance marked by timing of temporary store closures
- ▶ Online sales growth of +50% in 1Q2020. April online sales +95%
- ▶ 2Q2020 sales trends improve as stores reopened but some restrictions still remain

Gross margin

€ million	1Q20	1Q19
Gross margin	58.4%	59.5%

- ▶ Flexibility of supply chain key to gross margin performance
- ▶ Closing inventory down 10%
- ▶ Spring/Summer inventory provision

Operating efficiencies

€ million	1Q20	1Q19	20/19
Op. expenses	1,448	1,842	(21%)

- ▶ Implementation of initiatives to adjust operating expenses in 1Q2020
- ▶ All main components of operating expenses have shown a good performance

Depreciation

€ million	1Q20	1Q19	20/19
Depreciation	(992)	(696)	43%

- ▶ Depreciation & Amortisation includes completion of space optimisation 2020-2021

Financial results

€ million	1Q20	1Q19	20/19
Financial results	(35)	(36)	(5%)

- ▶ Interest on lease liability amounted to €33m

Flexibility of business model key to performance

€ million	1Q20	1Q19	20/19
Inventory	2,629	2,923	(10%)
Receivables	644	846	(24%)
Payables	(3,877)	(6,306)	(39%)
Op. working capital	(604)	(2,536)	--
Net Cash Position	5,752	6,660	(14%)

- ▶ Flexibility of supply chain
- ▶ High quality inventory at 1Q2020 end
- ▶ Strong financial condition

Outlook & Strategy Update

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Strategic initiatives

Global fully integrated Store & Online

2012

Store optimisation plan

*Larger more prominent stores

*Enlargements/Absorptions

*All key global flagships/New Images

Global Online

RFID launch

Upgrade HQs/Logistics

Increased organic growth

Lower capital intensity

2019

Global Online

€3.9 bn 14% of sales

Zara online globally

RFID complete in Zara

Massimo Dutti and Uterqüe

Zara one global integrated stock

Upgrade HQs/Logistics

Lower capital intensity

2020-2022

Strong growth opportunity

Global online

Global RFID

Global stock integration

Upgrade HQs/Logistics

Increased organic growth

Lower capital intensity

Strategy update: Inditex 2022

- ▶ Further strengthen our competitive advantage: Integrated Store&Online reinforce one another
- ▶ Stronger customer experience: Improved management of stores, inventory, supply chain, sales conversion
- ▶ Strong growth of online sales and reinforcement of digital capabilities
- ▶ Focus on high quality stores: all integrated, digital, eco-efficient
- ▶ Sustainability a key part of the strategy
- ▶ Higher returns. Lower capital intensity

Strategy update: Inditex 2022

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

Strategy update: Inditex 2022

- ▶ Increased differentiation of fully integrated business model
- ▶ Unique Store&Online platform to provide the strongest customer experience
- ▶ Online sales above 25% of total by end of 2022
- ▶ Underlying LFL of 4-6% annually
- ▶ Gross space growth c2.5% annually
- ▶ Capital expenditure c€900m annually
- ▶ Increased profitability. Lower capital intensity

Global online developments

2007

Zara Home
launch all over
Europe

2010

Zara launch
all over
Europe

2011-2014

Zara launch in USA,
China, Japan, Russian F.

All concepts in Europe

All key markets covered

2019

Global presence

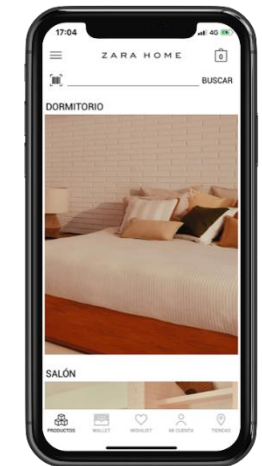
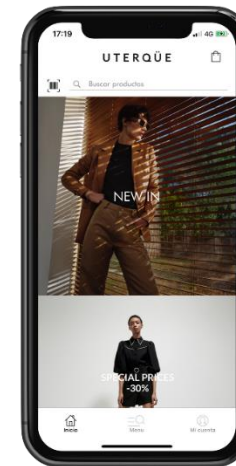
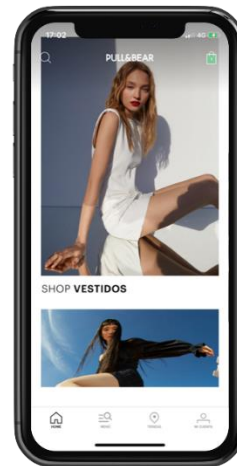
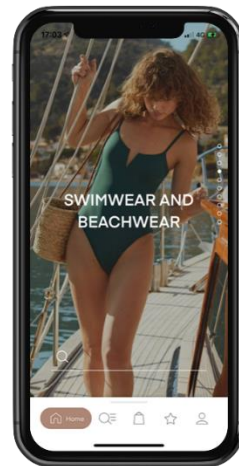
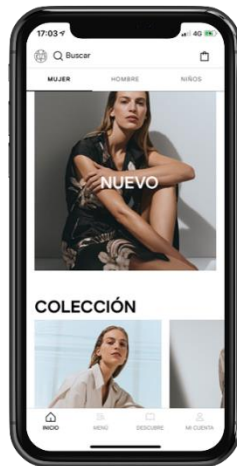
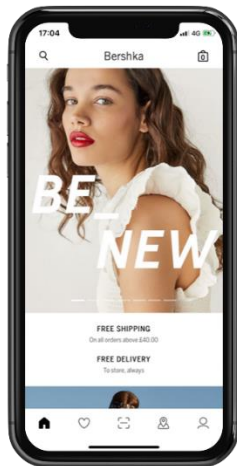
14% of group
sales

2020

New online
Studios for
Zara
64,000 m2

2022e

Online >25%
of group sales



Online launch in Peru, Uruguay, Paraguay and Argentina



Global online to reach above 25% of total sales by 2022

- ▶ Online sales as a % of total is expected to continue rising over the long-term
- ▶ Digital capex €1 billion for 2020-2022
- ▶ Leverages on fully integrated and digital store network
 - Inditex Open Platform
- ▶ Online sales to reach above 25% of total by year end 2022

High quality stores: Key to competitive differentiation



High quality stores: Key to competitive differentiation

Store optimisation	2012-19
Gross openings	3,671
Refurbishments	2,556
Enlargements	1,106
Absorptions	(1,729)

- ▶ Stores in best locations worldwide
- ▶ Fully-integrated, digital, eco-efficient
- ▶ Unparalleled customer experience
- ▶ New stores 3.5 years average age
- ▶ Large number of refurbishments and enlargements
- ▶ +6.5% LFL in FY2019

High quality stores: Key to competitive differentiation

Absorptions	
Stores	1,000-1,200
2020/2021	500-600 annually
Net book value*	€308 m
Store Average	< €260,000

*booked in 1Q2020

- ▶ Stores at the end of their life cycle
- ▶ Small units, mainly in younger concepts, geographically diversified
- ▶ Stores with low net book value
- ▶ Potential to recover sales in neighbouring stores and online
- ▶ Profit from absorbed stores expected to be fully compensated

Space growth in prime locations 2020-2022

Store openings	c150/year
Enlargement of high quality stores	
Gross Space	c2.5%/year

- ▶ Larger, more prominent and in best locations worldwide
- ▶ Digital, integrated, eco-efficient stores
- ▶ Higher competitive differentiation
- ▶ Increased profitability, lower capital intensity

Highly prominent and differentiated stores



Barcelona Paseo de Gracia

Highly prominent and differentiated stores



Highly prominent and differentiated stores



Highly prominent and differentiated stores



Highly prominent and differentiated stores



Sustainability & Circular economy a key part of the strategy



- ▶ Sustainability in supply chain
- ▶ Renewable energy
- ▶ Sustainable fabrics
- ▶ Eco-efficient stores
- ▶ Zero-waste / recycling

Unique business model: Global fully integrated Store & Online



Dividend

- ▶ Inditex's Board of Directors will propose to the Annual General Meeting an ordinary dividend for FY2019 of 35 cents per share to be paid on 2 November 2020
- ▶ Inditex's Dividend Policy of 60% ordinary payout and bonus dividends remains in place
- ▶ The remainder of the bonus dividend for calendar 2020 and 2021 (78 cents per share) will be paid in calendar 2021 and 2022

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