

Inditex's Annual General Meeting

Pablo Isla underscores “the strength of Inditex’s integrated, digital and sustainable model, thanks to the work and commitment of every employee”

- The Executive Chairman announces that Inditex will bring its net zero emissions target forward 10 years to 2040. The Group is also bringing several other sustainability targets forward. This includes aiming for all its cotton to be more sustainable or recycled by 2023, two years ahead of schedule.
- Pablo Isla reviewed Inditex’s performance in 2020 at today’s Annual General Meeting.
- He highlighted that the “commitment, talent and work displayed by the entire team in 2020, and the flexible and integrated business model, has delivered results in the most complex environment”.
- The Group’s net cash position remains solid – ending the fiscal year at €7.56 billion. The Company’s shareholders ratified the Board of Directors’ motion to pay a dividend of €0.70 per share, thus extending the policy of paying out 60% of net profit.

At today's Annual General Meeting at its headquarters in Arteixo, Inditex's shareholders ratified the Group's financial results for fiscal year 2020, a period in which revenue reached €20.4 billion despite the fact that all of its stores were forced to shut at some point on account of the COVID-19 pandemic. Online sales via the global integrated platform increased by 77% in local currencies to €6.6 billion, making Inditex a global leader in online fashion retailing.

During his presentation to the Group's shareholders, Pablo Isla highlighted "the strength of Inditex's strategic transformation and its fully integrated, digital and sustainable business model. This, combined with the commitment, talent and work displayed by the entire team, delivered noteworthy results in extremely difficult circumstances. As we expected, the transformation we embarked upon in 2012 continued to bear fruit", said Pablo Isla.

Thanks to consistent active management, the Group's operating expenses narrowed by 17%. Net profit totalled €1.11 billion and the Group ended the year with a solid net cash position of €7.56 billion. Moreover, inventories declined by 9% year-on-year following strong demand for the collections of all of the brands, coupled with efficient stock management.

A KEY YEAR FOR INDITEX'S STRATEGIC TRANSFORMATION

The Executive Chairman explained during his speech how 2020 was key to Inditex's strategic transformation, which the company embarked upon in 2012, and in which the Group has invested over €11 billion. Thanks to that effort, the Company has attained its goal of building a fully integrated and sustainable store and online platform that is capable of servicing customers in 216 markets worldwide. In 2020, Inditex added 25 new online markets and opened stores in 29 countries, while completing its Group-wide eco-efficiency store programme, which had reached all 6,829 stores at year-end.

It is also noteworthy that the rapid rollout of the integrated stock management system in 2020, which is available in 5,777 stores in 89 markets, has enabled the fulfilment of 46 million orders worth €1.16 billion from the Group's stores. "Access to that enabling technology was critical during the lockdowns and store closures, particularly at times when as many as 88% of all stores were closed at once", he recalled.

In 2020, 2021 and 2022, the Group will invest another €2.7 billion in its transformation programme, of which €1 billion will be invested in digitalisation and €1.7 billion will be invested in incorporating the latest technology across the Group stores, with the opening of as many as 450 major flagships planned for the period. In parallel with these investments,

the different brands will deepen the digital integration of stores and online, adding new and innovative digital services such as the Store Mode.

In 2020, the Group's apps and websites received over 5.3 billion visits and the eight brands' various social media handles amassed 200 million followers.

Inditex's Executive Chairman noted that the sharp acceleration in the transformation strategy and associated investments will allow the full development of the Group's proprietary technology platform, known as the Inditex Open Platform (IOP). The IOP - the keystone of Inditex's strategy - constitutes a hybrid, cloud-based digital replica of every phase of Inditex's business model; it encompasses the entire product life cycle and enables constant interaction, feedback and fine-tuning.

DELIVERY AND RAMP-UP OF SUSTAINABILITY TARGETS

Another cornerstone of the strategic transformation, carried over from prior years, is the Group's sustainability effort. Pablo Isla outlined how in 2020 the Group not only delivered its targets but brought forward the delivery of certain milestones. Some 35% of the Group's garments carried the Join Life label, which designates more sustainable processes and raw materials, ahead of the 25% target set for the year. In addition, 80% of the energy used came from renewable sources, compared to the target of 65%. The use of more sustainable cotton also increased by 91%.

Against this backdrop, Inditex's Executive Chairman announced to shareholders that the Group was setting out the following objectives:

- The Net zero emissions target will be brought forward by a whole decade to 2040 (previously 2050).
- All of the cotton Inditex uses will be more sustainable by 2023, two years ahead of schedule.
- All energy in its direct operations will come from renewable sources in 2022 (compared to a target of 80% in 2025).
- Over 50% of garments will be Join Life by 2022, the label that distinguishes the Group's most sustainable products.
- As a new objective, Inditex aims to cut by 25% the water used on the whole supply chain by 2025.

In parallel, the Group will continue to make progress on its existing commitments, such as the elimination of plastic, a strategy based around two milestones: in 2020 the company eliminated all plastic bags from its stores and online orders; by 2023 it plans to eliminate all single-use plastics from customer interfaces. All the materials the Group uses in its operations (cardboard, plastic, paper...) will also be completely recycled by 2023.

In fabrics, by 2023 all garments made of cellulosic fibres will be 100% sustainable and by 2025 all polyester and linen will be 100% recycled or sustainable, in line with the parameters the company has set out.

The Group will continue to champion innovative research in textile recyclability over the coming years, working with partners from across the supply chain, as well as with prestigious research centres such as the Massachusetts Institute of Technology (MIT). The Group will also forge ahead with all the programmes encompassed by its 'Worker at the Centre' strategy, designed to respect and promote social conditions in the supply chain.

Tax contribution and community investment

Pablo Isla described how the Group creates value for the communities in which it does business, quantifying Inditex's global tax contribution in 2020 at €4.69 billion. Of this sum, €1.2 billion was paid in Spain, where the Group is headquartered, €620 million of which was in the form of indirect taxes. The Group's effective corporate income tax rate was 21.2%.

Inditex's Executive Chairman also underscored the more than 3.3 million direct beneficiaries of the 703 different community programmes to which Inditex donated €71.8 million in 2020. He outlined the emergency relief provided to assist with the COVID-19 effort, - humanitarian aid, community wellbeing and educational programmes and projects supported by Inditex's contributions in the past year.

Resolutions ratified at the Annual General Meeting

The Company's shareholders approved the Board's motion to pay out an ordinary dividend of €0.70 per share. Of the total, €0.35 was paid out on 3 May 2021 and the remaining €0.35 will be paid on 2 November 2021. That leaves Inditex's shareholder remuneration policy fully intact.

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For a discussion of these and other factors that may affect forward looking statements and the Inditex Group's business, financial conditions and results of operations, see the documents and information filed by the company with the Comisión Nacional del Mercado de Valores (the Spanish Securities Market Commission). Readers are invited to review the contents of any such documents.