

INDITEX

Interim Three Months 2023 Results

1 February 2023 to 30 April 2023

- / In 1Q2023, Inditex continued with a very robust operating performance due to the creativity of the teams and the strong execution of the fully integrated business model
- / The Spring/Summer collections have been very well received by our customers. Sales grew +13% over 1Q2022 to reach €7.6 billion, showing very satisfactory development both in stores and online. Sales were positive in all geographical areas and in all concepts. Sales in constant currency grew 15%
- / Gross profit increased 14% to €4.6 billion. The gross margin reached 60.5% (+34 bps versus 1Q2022)
- / All expense lines have shown a favourable evolution. Operating expenses increased 13%, below sales growth
- / EBITDA increased 14% to €2.2 billion
- / EBIT increased 43% to €1.5 billion and PBT 52% to €1.5 billion
- / Net income increased 54% to €1.2 billion
- / Due to the strong operating performance cash from operations has increased markedly. The net cash position grew 14% to €10.5 billion
- / Inditex's Board of Directors will propose to the Annual General Meeting a dividend for FY2022 of €1.20. The dividend is composed of two equal payments of €0.60 per share: the first interim payment was made on 2 May 2023 and the final dividend payment will be made on 2 November 2023
- / Inditex continues to see strong growth opportunities. To take our business model to the next level and extend our differentiation further we are developing several initiatives in all key areas for the coming years
- / Spring/Summer collections continue to be very well received by our customers. Store and online sales in constant currency between 1 May and 4 June 2023 increased 16% versus the same period in 2022

First quarter 2023: Very strong operating performance

In 1Q2023, Inditex continued with a very robust operating performance due to the creativity of the teams and the strong execution of the fully integrated business model.

The Spring/Summer collections have been very well received by customers. Sales grew +13% over 1Q2022 to reach €7.6 billion, showing very satisfactory development both in stores and online. Sales in constant currency grew 15%.

Sales were positive in all geographical areas and in all concepts.

In 1Q2023, openings have been carried out in 17 markets. At the end of the period Inditex operated 5,801 stores. A list of total stores by concept is included in Annex I.

In 1Q2023, the execution of the business model was very strong. Gross profit increased 14% to €4.6 billion. The gross margin reached 60.5% (+34 bps versus 1Q2022).

All expense lines have shown a favourable evolution. Operating expenses increased 13%, below sales growth. Including all lease charges, operating expenses grew 150 bps below sales growth.

EBITDA increased 14% to €2.2 billion.

EBIT increased 43% to €1.5 billion and PBT 52% to €1.5 billion. As a reminder, in 1Q2022, Inditex reported a provision for expected expenses for FY2022 in the Russian Federation and Ukraine of €216 million under Other results.

Annex II includes a breakdown of the Financial Results.

The tax rate applied to the quarterly result is the best estimate for the fiscal year 2023 based on available information.

Net income increased 54% to reach €1.2 billion over €760 million in 1Q2022. Net income ex provision in 1Q2022 would have been €940 million.

Given the strong execution of the business model, cash from operations has increased markedly. The net cash position grew 14% to €10.5 billion at the end of 1Q2023.

Million Euros	30 April	30 April
	2023	2022
Cash & cash equivalents	6,572	6,589
Short term investments	3,950	2,624
Current financial debt	(14)	(23)
Non current financial debt	0	(1)
Net financial cash (debt)	10,508	9,189

Due to the robust operating performance over 1Q2023 and the normalisation in supply chain conditions, inventory was 5% higher as of 30 April 2023. Collections are considered to be of high quality. Commitment levels are similar to last year at this stage.

Million Euros	30 April 2023	30 April 2022
Inventories	3,680	3,517
Receivables	1,023	874
Payables	(8,765)	(7,710)
Operating working capital	(4,062)	(3,320)

Second quarter 2023

Spring/Summer collections continue to be very well received by our customers. Store and online sales in constant currency between 1 May and 4 June 2023 increased 16% versus the same period in 2022.

Inditex started operations in Cambodia in May, with the opening of a Zara flagship store in Phnom Penh at Chip Mong Mega Mall and the launch of online sales in the market through zara.com/kh.

Outlook

Inditex continues to see strong growth opportunities. Our key priorities are to continually improve the fashion proposition, to enhance the customer experience, to increase our focus on sustainability and to preserve the talent and commitment of our people. Prioritising these areas will drive long-term growth. To take our business model to the next level and extend our differentiation further we are developing several initiatives in all key areas for the coming years.

The creativity of our teams and the flexibility of the business model in conjunction with in-season proximity sourcing allows a swift reaction to customer demand. This situation results in a unique market position which provides our business model with great growth potential going forward.

Inditex operates in 213 markets with low share in a highly fragmented sector and we see strong growth opportunities. We expect increased sales productivity in our stores going forward. The growth of gross space in 2023 will be around 3%. Optimisation of stores is ongoing. Inditex expects space contribution to sales to be positive in 2023. We continue to see a very satisfactory evolution of online sales and an increasing participation in the group total. At current exchange rates, Inditex expects a -2.5% currency impact on sales in FY2023.

In FY2023, Inditex expects a stable gross margin (+/-50 bps).

For FY2023, we are planning investments that will scale our capabilities, obtain efficiencies and increase our competitive differentiation to the next level. We estimate ordinary capital expenditure of around €1.6 billion.

/ Fashion proposition

We continue focusing on the creativity, innovation, design and quality of all our collections and integrated sales channels, while reinforcing the commercial initiatives of all our concepts. Zara Woman Atelier, Massimo Dutti Moment de Detente or Casa Stradivarius are just some of the creative proposals available throughout 2023.

/ Customer experience

To continue offering the best customer experience both in our stores and on our online platforms we are developing several initiatives:

New Zara store design: A key recent project has been the new store design for Zara created by our Architectural Studio that integrates organically the most sophisticated interiors with the functional and digital sections, like fitting rooms, self-checkout areas, click&collect points, in-store silos and stockrooms.

This new Zara store design is featured in openings, enlargements or relocations such as Paris Champs Elysees, London Stratford, Miami Dadeland, Mumbai Phoenix Palladium and Johannesburg Sandton.

New security technology in stores: The hardware to implement the new security technology and eliminate hard tags will be available in all Zara stores globally by July with the aim to start test operations in the 2023 Autumn/Winter season.

/ Sustainability

Sustainability is a key part of Inditex's strategy. As per the Sustainability Roadmap Goals, Inditex is on track to deliver upon all of the targets set for 2023 to 2025. We continue deepening our sustainability strategy and we will present at the next AGM new commitments that demonstrate our ambition in this area.

In 2022, Inditex made an investment in Circ, the fashion technology company that recycles textile waste back into new fibres, aimed at accelerating industrial-scale solutions towards circularity in the fashion sector.

In April, Zara partnered with Circ to launch a first-of-its-kind women's capsule collection made using recycled polyester and lyocell derived from the separation of polycotton textile waste.

In terms of circularity, the Zara Pre-Owned platform, currently available in the United Kingdom, will reach France, Germany and Spain in the second half of 2023. Through this platform, we will continue helping our customers to extend the life cycle of their Zara garments through donation, repair or resale.

/ People

One of the priorities of Inditex's People strategy is to promote stimulating work environments where the growth and continuous learning of our teams is encouraged.

Last year, more than 11,000 of our employees were promoted. At the end of this quarter there are already more than 2,700 people who have been promoted internally. We have also invested almost 600,000 hours of training in this period, as we are convinced that continuous learning contributes to the personal and professional development of our people.

Dividends

As approved in March 2023, Inditex's Board of Directors will propose to the Annual General Meeting a dividend for FY2022 of €1.20. The dividend is composed of two equal payments of €0.60 per share: the first interim payment was made on 2 May 2023 and the final dividend payment will be made on 2 November 2023.

Agreements of the Board of Directors

Inditex's Annual General Meeting will take place at the Company's registered office on 11 July 2023.

Mr Emilio Saracho Rodríguez de Torres will leave the Board of Directors of Inditex once his tenure expires at the AGM. Inditex would like to thank him for his significant contribution to the Board.

The Board of Directors will propose to the Annual General Meeting to set the number of Board members to 10.

For additional information:

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Consolidated financial statements

Inditex Group		
1Q2023 profit & loss statement (€m)		
	1Q2023 (*)	1Q2022 (*)
Net sales	7,611	6,742
Cost of sales	(3,008)	(2,688)
Gross profit	4,603	4,054
<i>Gross margin</i>	60.5%	60.1%
Operating expenses	(2,398)	(2,126)
Other net operating income (losses)	(10)	(11)
Operating cash flow (EBITDA)	2,195	1,917
<i>EBITDA margin</i>	28.8%	28.4%
Other results	0	(216)
Amortisation and depreciation	(712)	(667)
Operating income (EBIT)	1,483	1,034
<i>EBIT margin</i>	19.5%	15.3%
Financial results	10	(49)
Results from companies consolidated by equity method	12	5
Income before taxes	1,505	990
<i>EBT margin</i>	19.8%	14.7%
Taxes	(333)	(225)
Net income	1,172	766
Minorities	4	6
Net income attributable to the controlling company	1,168	760
<i>Net income margin</i>	15.3%	11.3%
Earnings per share, Euros (**)	0.375	0.244

(*) Unaudited data

(**) Shares for EPS calculation 3,112,766,035 for 2023 and 3,112,929,569 for 2022

Inditex Group
Consolidated Balance Sheet as of 30 April 2023 (€m)

	30 April 2023 (*)	30 April 2022 (*)
Assets		
Non Current Assets	15,894	15,610
Right of use	4,941	5,160
Intangible assets	1,290	866
Tangible assets	7,719	7,618
Financial investments	371	316
Other	1,574	1,650
Current Assets	15,564	14,058
Inventories	3,680	3,517
Receivables	1,023	874
Short term investments	3,950	2,624
Cash & cash equivalents	6,572	6,589
Other	339	454
Total Assets	31,458	29,668
Total Liabilities & Shareholders' Equity		
Shareholders' Equity	16,263	15,228
Equity attributable to the Group	16,235	15,194
Minority interests	29	34
Non Current Liabilities	4,862	5,105
Deferred taxes	426	415
Financial debt	(0)	1
Lease liability	3,953	4,178
Other	484	511
Current Liabilities	10,332	9,335
Financial debt	14	23
Lease liability	1,507	1,580
Payables	8,765	7,710
Other	47	21
Total Liabilities & Shareholders' Equity	31,458	29,668

(*) Unaudited data

Annex I

Number of stores by concept:

Concept	30 April	30 April
	2023	2022
Zara	1,878	2,001
Zara Home	426	471
Pull&Bear	788	870
Massimo Dutti	548	633
Bershka	858	972
Stradivarius	847	923
Oysho	456	553
Total	5,801	6,423

Annex II

Breakdown of Financial results:

Million Euros	1Q2023	1Q2022
Net financial income (losses)	63	(2)
Lease financial expenses	(43)	(22)
Foreign exchange gains (losses)	(11)	(25)
Total	10	(49)

The Gross Profit, EBITDA, EBIT, PBT, ROE, ROCE, working capital, net financial position, average net financial debt, Store operating profit, Earnings by quarterly results, Sales growth at constant exchange rates, and Sales in comparable stores are defined in Note 2 to the Consolidated Annual Accounts 2022.

Disclaimer

This document and the information contained herein does not constitute an offer to sell, exchange or buy, or the solicitation of an offer to buy, or any recommendation or advice regarding, any securities issued by the Inditex Group.

This document may contain statements regarding intentions, expectations or forecasts. All statements other than statements of historical facts included herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These statements represent the Company's best estimate on the basis of the information available as at the date hereof, but do not constitute a guarantee of future performance. Any such forward-looking statements may be subject to risks, uncertainties and other relevant factors which could cause them to differ materially from actual results. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements.

Some of these risks include, amongst others, ongoing competitive pressure in the sector, consumer tastes and spending trends, macro-economic, political, regulatory and trade conditions, foreign exchange risks, the surge of infectious diseases such as COVID-19, technological risks, restrictions to free trade and political volatility in the markets where the Inditex Group is present or in the countries where the Group's products are manufactured or distributed.

The risks and uncertainties that could affect the forward-looking statements are difficult to predict. Except where the prevailing regulations require otherwise, the company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events or circumstances that could affect them.

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.

This presentation contains, in addition to the financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and derived from our financial statements, alternative performance measures ("APMs") as defined in the Commission Delegated Regulation (EU) 2019/979 of March 14, 2019 and in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415en) and other non-IFRS measures ("Non-IFRS Measures"). These financial measures that qualify as APMs and non-IFRS measures have been calculated with information from Inditex Group; however those financial measures are not defined or detailed in the applicable financial reporting framework nor have been audited or reviewed by our auditors. These APMs and non-IFRS measures should be considered supplemental information to, and are not meant to substitute IFRS measures. Please refer to the audited consolidated financial statements of the Inditex Group for fiscal year 2022 for the definition of APMs and Non-IFRS Measures included herein.