



Executive Chairman's statement

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Dear friends of Inditex,

Looking back over the long year that was 2020 two thoughts immediately come to mind: first, a deep sense of sympathy for the people affected by the covid-19 pandemic, its victims and their families, whom we must never forget; second, a deep sense of gratitude to everyone who, with their hard work and commitment, gave their best during this crisis.

I would first like to pause to reflect on the commitment and generosity shown by our team at Inditex during the year. I witnessed their steadfast commitment to finding simple solutions to complex problems, and both the small and not so small details of their work contributed to our operational performance. For that, I feel prouder than ever.

I saw our people at their very best, again and again. They were never more visible than when the Company put its entire logistics capabilities to work for the emergency relief effort, establishing an air corridor with China which managed to ship over 177 million tonnes of Personal Protective Equipment between 66 freight aircraft. They were similarly tangible in the imaginative way in which our people resolved situations we have never faced before, reacting with exemplary attitude and initiative.

Beyond the important role played by our team's approach to the Company's performance, 2020 was crucial to the Group's transformation strategy. The model we have been putting in place over a number of years, centred around our unique model which fully integrates stores and the world of online shopping, truly proved its merit.

For Inditex, 2020 - a year in which all of our stores were either closed at one time or had to operate under trading hour or capacity restrictions - can be summed up both by the admirable attitude displayed by all of our professionals and the tremendous responsiveness of our integrated platform. In rising to the covid challenge, the Company's unique business model - characterised by its global, flexible, digitally integrated and sustainable platform - has been strengthened, positioning us well to tackle future challenges.

The contraction in revenue was contained at 24.5%, stripping out currency effects, with online sales registering strong growth of 77% in constant currency to €6.6 billion, firmly positioning Inditex as a leading player in online fashion retailing. Online visits doubled to 5.3 billion in 2020, with 132 million users of Inditex apps worldwide.

Against that backdrop, we posted earnings of €1.1 billion and protected our key business performance metrics: our gross margin was stable, and inventories fell by 9%.

All of which drove strong cash generation, helping to underpin our very strong net cash position of €7.6 billion by the end of the year. That financial strength will allow

Sustainability is embedded in our Company's long term vision

us to invest €2.7 billion by 2022, enabling us to make further progress on our integrated platform strategy and on the differentiation of our premium quality stores, located in world class locations and meeting exemplary sustainability criteria.

Sustainability, is a core component of the Company's long-term vision, and 2020 was a year in which we met some of our key targets ahead of schedule.

For example, we beat our goal for renewable energy consumption across the organisation, which we had set at 65%, delivering a level of 81%. The percentage of garments distinguished for more sustainable processes or materials by our *Join Life* label accounted for more than 35% of all items, compared to a targeted 25%. And we delivered on our promise to complete the rollout of our eco-efficient store programme and used-clothing collection scheme worldwide.

Ahead of us is our pledge to eliminate single-use plastic from customer interfaces and recycle all waste generated in our operations by 2023, and for 100% of the cotton, polyester, viscose and linen used in our products to be sustainable certified by 2025

People lie at the heart of our vision, to which end we reinforced our commitment to the UN's Guiding Principles on Business and Human Rights. We prioritised the health of our customers and our people and we worked closely with our suppliers through the pandemic, upholding all of our purchase commitments, supporting them to implement safety measures and fostering financial support initiatives to carry them through the period.

Meanwhile, we remained committed to providing quality employment, as evidenced by the stable percentage of employees on permanent contracts in 2020. Our tax contribution across our markets was noteworthy, particularly in Spain, where we are headquartered. Our tax contribution totalled €4.7 billion, €1.9 billion of which we paid directly.



We reinforced our community investment effort, which benefitted 3.3 million people in 2020, nearly a million more than in 2019, by way of 703 initiatives to which we contributed €71.8 million.

As I have already stressed, beyond our financial performance in such an exceptional year was the progress in our strategy. All of our brands can be shopped online globally, while the rapid deployment of our integrated stock management system (SINT) enabled us to fulfil €1.2 billion online orders from our stores. Orders that would not have been feasible to fulfil without that system.

The keystone of that transformation is the Inditex Open Platform (IOP), a digital platform created by our engineers that enables many aspects of the Inditex model from our website solutions to stores – through virtual management positioning the Company as a truly digital one. The IOP has been developed in-house using open code so that departments can communicate seamlessly to enable business solutions, which our experts build and layer in to meet specific customer demands. We have therefore become a developer of technology solutions for our own business needs, a factor that will set us apart going forward.

Moreover, digitalisation is playing a key role in our overall sustainability strategy, as a business fully committed to the United Nations Global Compact, its principles and the Sustainable Development Goals. Full integration of stock management, enabled by our digital footprint, is helping us adjust supply to demand more precisely, thereby

helping boost efficiency, thanks to powerful technology tools that are delivering continued financial performance on lower inventory.

Through the coming pages we seek to provide a transparent and detailed account of the progress we have made in all of these areas, ensuring the integrity of the data reported and upholding, in the concluding sections, the principles of the Integrated Reporting framework. 2020 will be a year we will all remember for a long time to come, but I am proud that in a period of unprecedented challenges, our business and our people showed such great resilience, and that gives me real optimism for the years ahead.

Many thanks.

P. Isla

Pablo Isla
Chairman