

**STATEMENT MADE BY THE DIRECTORS OF INDUSTRIA DE DISEÑO
TEXTIL, S.A. (INDITEX, S.A.) ABOUT THE CONTENTS OF THE FINANCIAL
ANNUAL REPORT**

We, the members of the Board of Directors of the company, do hereby state and represent that, to the best of our knowledge and belief, the annual accounts for fiscal year 2018 (1 February 2018 – 31 January 2019), both individual and consolidated, stated by the Board of Directors in the meeting held on 12 March 2019, drafted pursuant to the applicable accounting principles, give the true and fair view of the assets, the financial situation and the results of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, and that both the individual and consolidated financial reports, include a true review of the evolution and the corporate results, as well as of the position of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, together with the description of the main risks and uncertainties they face up to.

In Arteixo (A Coruña), on 12 March 2019.

Mr Pablo Isla Álvarez de Tejera
Executive Chairman

Mr Amancio Ortega Gaona
Ordinary Member

Mr José Arnau Sierra
Deputy Chairman

Pontegadea Inversiones, S.L.
Ordinary Member
Ms Flora Pérez Marcote

Bns Denise Patricia Kingsmill
Ordinary Member

Ms Pilar López Álvarez
Ordinary Member

Mr José Luis Durán Schulz
Ordinary Member

Mr Rodrigo Echenique Gordillo
Ordinary Member

Mr Emilio Saracho Rodríguez de
Torres
Ordinary Member

INDUSTRIA DE DISEÑO TEXTIL, S.A.

**ANNUAL ACCOUNTS AND
DIRECTORS' REPORT FOR THE
YEAR ENDED 31 JANUARY 2019**

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Industria de Diseño Textil, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Industria de Diseño Textil, S.A. ("the Company"), which comprise the balance sheet as at 31 January 2019, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended ("2018").

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 January 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2-a to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of inventories

Description

As indicated in Note 10 to the accompanying financial statements, the value of the Company's inventories at 2018 year-end was EUR 855 million, representing 5.6% of the Company's total assets. These inventories relate mainly to finished goods and are distributed among the warehouses managed by the Company. Given the nature of the business of the Inditex Group, of which the Company is the parent, thousands of stock-keeping units (SKUs) are designed and put on sale over the course of the year; these SKUs rotate based on the season and customer demand, generating, therefore, a high volume of changes in inventories.

We considered this matter to be key in our audit, due to the importance of the judgements and assumptions applied by the Company to determine the cost and recoverable amount of each SKU and the complexity of the logistics activities carried on by the Group in order to manage its products, which gives rise to numerous SKU movements between various different locations.

Procedures applied in the audit

In response to this key matter, our audit included, among others, the following procedures:

- An assessment of the consistency of the accounting policies and practices applied by the Company to measure its inventories at 31 January 2019 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year.
- An assessment of the design, implementation and operating effectiveness of the key controls in place in the inventory management and measurement process, with the involvement of our IT experts in performing the tests on automatic controls applied to the relevant software involved in the process.
- For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the cost of acquiring them from suppliers and considering the costs directly attributable to such goods.
- An assessment of the key estimates used by Company management to determine the net realisable value and the consistency thereof with Company policies and actual historical and other information, such as sales and returns after the reporting date.
- An assessment of whether the disclosures included in the notes to the financial statements are in conformity with the applicable regulatory framework.

The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Company, to the assessment of the key controls in place in the measurement process and to the disclosures included in the notes to the financial statements and the results of the performance of specific substantive tests were satisfactory.

Impairment of investments in Group companies

Description	Procedures applied in the audit
<p>As indicated in Note 8 to the accompanying financial statements, the Company has equity interests in the share capital of Group companies that are not listed on regulated markets the carrying amount of which at 31 January 2019 was EUR 3,957 million and which accounted for 26% of the total assets at that date.</p> <p>Whenever there are indications that these investments might have become impaired, the Company carries out an impairment test on the investments in order to estimate whether their recoverable amount is lower than their carrying amount. The measurement of these investments requires management to make significant judgements and estimates, as regards both identifying the investments for which there might be indications of impairment and considering the key assumptions established for calculating the recoverable amount of the investments.</p> <p>The aforementioned circumstances meant that we determined this matter to be one of the key matters in our audit.</p>	<p>In response to this key matter, our audit included, among others, the following procedures:</p> <ul style="list-style-type: none"> - An analysis of the reasonableness of the indications of impairment established by the Company. - Verification of the arithmetical accuracy of the calculations performed and of the appropriateness of the valuation method used. - An analysis of the reasonableness of the key assumptions applied, such as changes in revenue and costs, gross margin assumptions, discount rates and perpetuity growth rates. - A review of the consistency of the assumptions used with other analyses performed by the Company, of the consistency of the future cash flow projections used in the analysis and of the methodology and key assumptions used, and we also performed a sensitivity analysis thereon. - A review of the achievement in 2018 of the most significant assumptions used by management in the previous year's impairment tests. - An assessment of whether the disclosures included in the notes to the financial statements are in conformity with the applicable regulatory framework. <p>The results of the procedures performed as regards the determination of the applicable valuation method, the analysis of the criteria and assumptions used by the Company in its estimates and the disclosures included in the notes to the financial statements were satisfactory.</p>

IT systems	
Description	Procedures applied in the audit
<p>The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Company to a high dependency on its IT system and the correct functioning thereof.</p> <p>In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing.</p> <p>Due to their importance and the audit effort required, knowledge, evaluation and validation of the general financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit.</p>	<p>In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved:</p> <ul style="list-style-type: none"> - Identification of relevant IT elements and applications in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and assessment of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT applications. - An assessment of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An assessment of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, inventories and the accounting closing. - A review of the cybersecurity risk management model for the main IT systems with an impact on financial information in the e-commerce environment. <p>The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the accompanying financial statements.</p>

Other Information: Directors' Report

The *Other Information* comprises only the directors' report for 2018, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

- a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the directors' report includes a reference to the fact that the non-financial information described in section a) above is presented in the consolidated directors' report of the Inditex Group of which the Company is the parent, that the information in the Annual Corporate Governance Report mentioned in that section is included in the directors' report, and that the other information in the directors' report is consistent with that contained in the financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Control Committee

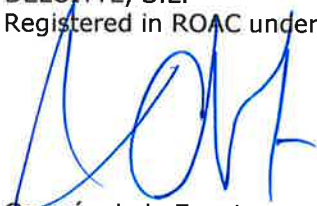
The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 12 March 2019.

Engagement Period

The Company's Annual General Meeting held on 17 July 2018 appointed us as auditors for a period of one year from the year ended 31 January 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterrupted since the year ended 31 January 2013.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Germán de la Fuente
Registered in ROAC under no. 15.976

12 March 2019

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Company's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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INDUSTRIA DE DISEÑO TEXTIL, S.A.**BALANCE SHEET AS AT 31 JANUARY 2019 AND 2018**

(Amounts in millions of euros)	Notes	31/01/2019	31/01/2018
ASSETS			
NON-CURRENT ASSETS		5,787	3,778
Intangible assets	(5)	136	104
Patents and similar intangibles		4	4
Computer software		110	72
Intangible assets in progress and advances		22	28
Property, plant and equipment	(6)	497	405
Land and buildings		199	74
Plant and other items of property, plant and equipment		260	199
Property, plant and equipment in the course of construction and advances		38	132
Investment property	(7)	552	566
Land		101	102
Buildings		451	464
Current investments in Group companies, jointly controlled entities and associates	(8)	4,352	2,480
Equity instruments		3,957	2,304
Loans to companies	(15)	395	176
Non-current financial assets	(8)	197	197
Equity instruments		2	2
Other financial assets		195	195
Deferred tax assets	(16)	53	26
CURRENT ASSETS		9,433	4,193
Inventories	(10)	855	845
Goods held for resale		784	781
Raw materials and other supplies		71	64
Trade and other receivables		497	392
Trade receivables for sales and services		127	104
Trade receivables from Group companies and associates	(15)	296	247
Other accounts receivable from public authorities		74	41
Current investments in Group companies, jointly controlled entities and associates	(8 & 15)	3,899	1,083
Loans to companies		3,899	1,057
Other financial assets		-	26
Current financial assets	(8)	9	-
Derivatives		9	-
Current prepayments and accrued income		14	16
Cash and cash equivalents	(9)	4,159	1,857
Cash		4,159	1,854
Cash equivalents		-	3
TOTAL ASSETS		15,220	7,971

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the balance sheet as at 31 January 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A.**BALANCE SHEET AS AT 31 JANUARY 2019 AND 2018**

(Amounts in millions of euros)	Notes	31/01/2019	31/01/2018
EQUITY AND LIABILITIES			
EQUITY		12,162	3,942
SHAREHOLDERS' EQUITY	(11)	12,167	3,955
Share capital		94	94
Share capital		94	94
Share premium		20	20
Reserves		1,749	1,543
Legal and bylaw reserves		19	19
Other reserves		1,730	1,524
Treasury shares		(77)	(77)
Profit for the year		10,381	2,375
VALUATION ADJUSTMENTS		(6)	(14)
Hedges		(6)	(14)
GRANTS, DONATIONS AND BEQUESTS RECEIVED		1	1
NON-CURRENT LIABILITIES		655	789
Long-term provisions	(12)	14	24
Other provisions		14	24
Non-current payables	(14)	5	3
Obligations under finance leases		5	2
Other financial liabilities		-	1
Non-current payables to Group companies, jointly controlled entities and associates	(15)	6	6
Deferred tax liabilities	(16)	12	15
Non-current accruals and deferred income	(13)	618	741
CURRENT LIABILITIES		2,403	3,240
Current payables	(14)	56	97
Obligations under finance leases		3	1
Derivatives	(8)	12	57
Other financial liabilities		41	39
Current payables to Group companies, jointly controlled entities and associates	(15)	513	1,519
Trade and other payables		1,711	1,501
Payable to suppliers		546	522
Payable to suppliers - Group companies and associates	(15)	928	813
Sundry accounts payable		145	119
Remuneration payable		62	21
Current tax liabilities		-	1
Other accounts payable to public authorities		30	25
Current accruals and deferred income	(13)	123	123
TOTAL EQUITY AND LIABILITIES		15,220	7,971

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the balance sheet as at 31 January 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

INCOME STATEMENT FOR THE YEARS ENDED 31 JANUARY 2019 AND 2018

(Amounts in millions of euros)	Notes	2018	2017
CONTINUING OPERATIONS			
Revenue	(18.1)	16,692	10,242
Sales		8,470	8,177
Services		52	50
Dividends	(15)	8,170	2,015
In-house work on non-current assets		7	4
Procurements	(18.2)	(6,616)	(6,501)
Cost of goods held for resale sold		(5,973)	(5,845)
Cost of raw materials and other consumables used		(554)	(573)
Work performed by other companies		(89)	(83)
Other operating income		231	239
Non-core and other current operating income	(7, 13 & 15)	230	238
Income-related grants transferred to profit or loss		1	1
Personnel expenses		(259)	(204)
Wages, salaries and similar expenses		(226)	(177)
Employee benefits	(18.3)	(33)	(27)
Other operating expenses		(1,392)	(1,206)
Outsourced services	(18.4)	(1,380)	(1,201)
Taxes other than income tax		(3)	(3)
Other current operating expenses		(9)	(2)
Amortisation and depreciation of non-current assets and investment property	(5, 6 & 7)	(92)	(81)
Impairment and gains or losses on disposals of fixed assets		(3)	-
Impairment and gains or losses on disposals of Group investments	(8)	1,902	-
Other gains and losses		1	(1)
INCOME FROM OPERATIONS		10,471	2,492
Finance income		7	4
From marketable securities and other financial instruments		7	4
Group companies and associates	(15)	-	1
Third parties		7	3
Finance costs		(3)	(28)
On debts to Group companies and associates	(15)	(3)	(2)
On debts to third parties		-	(26)
Exchange differences		(9)	15
Impairment and gains or losses on disposals of financial instruments		-	1
FINANCIAL RESULTS		(5)	(8)
INCOME BEFORE TAXES		10,466	2,484
Income tax	(16)	(85)	(109)
INCOME FOR THE YEAR		10,381	2,375

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the income statement for the year ended 31 January 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 JANUARY 2019 AND 2018

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Amounts in millions of euros)	2018	2017
PROFIT PER STATEMENT OF PROFIT OR LOSS (I)	10,381	2,375
Income and expense recognised directly in equity		
Cash flow hedges (Note 8)	(8)	(19)
Tax effect (Note 16)	2	5
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	(6)	(14)
Transfers to profit or loss		
Cash flow hedges (Note 8)	19	(4)
Tax effect (Note 16)	(5)	1
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	14	(3)
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	10,389	2,358

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of recognised income and expense for the year ended 31 January 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 JANUARY 2019 AND 2018

B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Amounts in millions of euros)

	Share capital	Share premium	Reserves	Treasury shares	Profit for the year	Valuation adjustments	Grants, donations and bequests received	Total
2017 ADJUSTED OPENING BALANCE	94	20	1,451	(87)	2,216	3	1	3,698
Total recognised income and expense	-	-	-	-	2,375	(17)	-	2,358
Transactions with shareholders or owners								
Transfers	-	-	99	-	(99)	-	-	-
Dividends paid	-	-	-	-	(2,117)	-	-	(2,117)
Other changes	-	-	(7)	-	-	-	-	(7)
Treasury shares	-	-	-	10	-	-	-	10
2017 CLOSING BALANCE	94	20	1,543	(77)	2,375	(14)	1	3,942
2018 ADJUSTED OPENING BALANCE	94	20	1,543	(77)	2,375	(14)	1	3,942
Total recognised income and expense	-	-	-	-	10,381	8	-	10,389
Transactions with shareholders or owners								
Transfers	-	-	40	-	(40)	-	-	-
Dividends paid	-	-	-	-	(2,335)	-	-	(2,335)
Other changes	-	-	166	-	-	-	-	166
2018 CLOSING BALANCE	94	20	1,749	(77)	10,381	(6)	1	12,162

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of changes in total equity for the year ended 31 January 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A.**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 JANUARY 2019 AND 2018**

(Amounts in millions of euros)	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES (I)			
INCOME BEFORE TAXES		10,466	2,484
Adjustments to profit			
Amortisation and depreciation	(5, 6 & 7)	92	81
Impairment losses	(8)	(8)	(1)
Changes in provisions		20	17
Gains/Losses on derecognition and disposal of fixed assets		3	-
Gains/Losses on derecognition and disposal of financial instruments	(8)	(1,894)	(1)
Finance income		(7)	(3)
Finance costs		3	28
Exchange differences		18	(18)
Other income and expenses		(106)	(106)
Dividends from investments in equity instruments of Group companies	(15)	(8,170)	(2,015)
Changes in working capital			
Inventories		(15)	(79)
Trade and other receivables		(437)	(295)
Other current assets		-	(8)
Trade and other payables		270	(122)
Other current liabilities		(44)	(16)
Other non-current assets and liabilities		-	(1)
Other cash flows from operating activities			
Interest paid		(3)	(1)
Dividends received		8,181	1,995
Interest received		7	8
Income tax paid		(105)	(258)
Other collections (payments)		7	(3)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		8,278	1,686
CASH FLOWS FROM INVESTING ACTIVITIES (II)			
Payments relating to investment			
Group companies and associates		(2,449)	(43)
Intangible assets	(5)	(53)	(35)
Property, plant and equipment	(6)	(197)	(66)
Investment property	(7)	(10)	(10)
Collections relating to divestments			
Group companies and associates		-	341
Property, plant and equipment		6	-
Other financial assets	(8)	13	146
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(2,690)	333
CASH FLOWS FROM FINANCING ACTIVITIES (III)			
Collections and payments relating to equity instruments			
Purchase of equity instruments		-	(12)
Collections and payments relating to financial liability instruments			
Collections relating to other borrowings		-	2
Repayment of borrowings from Group companies and associates		(950)	(84)
Repayment of other borrowings		(1)	-
Dividends and returns on other equity instruments paid			
Dividends		(2,335)	(2,117)
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		(3,286)	(2,211)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		2,302	(192)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,857	2,049
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,159	1,857

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of cash flows for the year ended 31 January 2019.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2019

1 Activity and description of the Company

Industria de Diseño Textil, S.A. ("Inditex" or "the Company") was incorporated as a public limited liability company on 12 June 1985. Its current registered office is located at Avenida Diputación, s/n "Edificio Inditex", in Arteixo, A Coruña.

Industria de Diseño Textil, S.A. is the parent of a group of companies, whose main activity is the distribution of fashion items, particularly clothing, footwear, accessories and household textile products. The Group carries out its activity through various retail concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Inditex is listed on all four Spanish stock exchanges and, together with its subsidiary companies, comprises the Inditex Group.

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 the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the activity is performed through franchises. Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed from the signing of the franchise agreement.

The information relating to Inditex's ownership interests in Group companies and jointly controlled entities is detailed in Annex I hereto.

The Company engages mainly in:

- a. The purchase and procurement of fashion items, particularly clothing and accessories, and the distribution and sale thereof to the companies that market the ZARA concept.
- b. The provision of corporate services to the other Group companies.
- c. Management of the ownership interests in its subsidiaries, from which it receives income in the form of dividends.

Pursuant to corporate law, the Company's Directors prepared separately consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, which reflected a consolidated profit attributable to the Parent of EUR 3,444 million (2017: EUR 3,368 million) and consolidated equity attributable to the Parent of EUR 14,653 million (2017: EUR 13,497 million).

The Group's consolidated annual accounts for 2017 were prepared by the Directors of Industria de Diseño Textil, S.A. at the Board of Directors meeting held on 13 March 2018 and were filed at the A Coruña Mercantile Registry, while the consolidated annual accounts of the Inditex Group for 2018 were prepared on 12 March 2019.

As indicated in Note 15, a significant portion of the Company's operations are carried on with companies in the Group to which it belongs.

The Company, together with other companies, belongs to a group which, in turn, is controlled by the same individual, who has control over other companies. The company with the most assets in this group of companies, Pontegadea Inversiones, S.L., files its annual accounts at the A Coruña Mercantile Registry. Industria de Diseño Textil, S.A. and Pontegadea Inversiones, S.L. are managed independently.

2 Basis of presentation of the annual accounts

a) Regulatory financial reporting framework applicable to the Company

These annual accounts were formally prepared by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a. The Spanish Commercial Code and all other Spanish Corporate Law.
- b. The Consolidated Spanish Companies Act.
- c. The General Accounting Plan (*approved by Royal Decree 1514/2007, of 16 November*) and its subsequent amendments.
- d. The mandatory rules approved by the Spanish Accounting and Auditing Institute in order to implement the General Accounting Plan and the relevant secondary legislation.
- e. All other applicable Spanish accounting legislation.

b) Fair presentation

The annual accounts for the year ended 31 January 2019 ("2018"), which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2018.

These annual accounts, which were formally prepared by the Company's Directors, will be submitted for approval by the Annual General Shareholders' Meeting, and it is considered that they will be approved without any changes. The annual accounts for the year ended 31 January 2018 ("2017") were approved by the Annual General Shareholders' Meeting held on 17 July 2018.

Unless otherwise stated, the amounts shown in these annual accounts are expressed in millions of euros.

c) Accounting principles

The Company's Directors formally prepared these annual accounts taking into account all the obligatory accounting principles and standards. In particular, the annual accounts for 2018 were prepared using the "*going concern basis of accounting*". All obligatory accounting principles were applied.

d) Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying annual accounts estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- a. The assessment of possible impairment losses on certain assets.
- b. The determination of inventory costs.

- c. The useful life of the property, plant and equipment, intangible assets and investment property.
- d. The determination of the fair value of certain financial instruments.
- e. The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- f. The recovery of deferred tax assets.

Although these estimates were made on the basis of the best information available at 31 January 2019, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the income statements for the years affected.

e) Comparative information

The information relating to 2017 included in these notes to the annual accounts is presented solely for comparison purposes with that relating to 2018.

f) Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the annual accounts.

g) Correction of errors

In preparing these annual accounts no significant errors were detected that would have made it necessary to restate the amounts included in the annual accounts for 2017.

h) Changes in accounting policies

In the year ended 31 January 2019 there were no significant changes in accounting policies with respect to those applied in 2017.

i) Materiality

In preparing these annual accounts the Company omitted any information or disclosure which, not requiring disclosure due to their qualitative importance, was considered not to be material.

3 Distribution of profit

The proposed distribution of the Company's profit for 2018 that its Directors will submit for approval by the Annual General Shareholders' Meeting is as follows:

Basis of distribution	
Profit for the year	10,381
Distribution	
Dividends	2,740
Voluntary reserves	7,641

The Board of Directors will propose to the Annual General Shareholders' Meeting the distribution of a dividend of EUR 0.88 per share, comprising of an ordinary dividend of EUR 0.66 per share and an extraordinary dividend of EUR 0.22 gross per share on the total outstanding shares.

From the total amount of EUR 0.88 per share, to be distributed as a dividend, EUR 0.44 per share are payable on 2 May 2019 in concept of interim ordinary dividend and EUR 0.44 per share are payable on 4 November 2019 as an extraordinary dividend and bonus dividend.

At 31 January 2019 and 2018, the restricted reserves amounted to EUR 19 million.

4 Accounting policies

The principal accounting policies used by the Company in preparing these annual accounts for 2018 were as follows:

a) Intangible assets

Intangible assets are recognised initially at acquisition or production cost and this initial measurement is subsequently adjusted for any accumulated amortisation and any accumulated impairment losses on the assets. Whenever there are signs of impairment, the Company tests the intangible assets for impairment (see Note 4-d) to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

In-house work performed by the Company to develop certain items of computer software that is capitalised to intangible assets is measured at accumulated cost (external costs plus in-house costs and, as the case may be, in-house personnel costs incurred in the development of this software).

Intangible assets with finite useful lives are amortised systematically over the years of useful life of the assets, as follows:

	Useful life (years)
Patents and similar intangibles	10
Computer software	5

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost revalued pursuant to various laws (including Law 16/2012, of 27 December) (see Notes 6, 7 and 11) and this initial measurement is subsequently adjusted for any accumulated depreciation and any accumulated impairment losses on the assets. Whenever there are signs of impairment, the Company tests the property, plant and equipment for impairment (see Note 4-d) to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred. However, the costs of expansion, modernisation or improvements leading to a lengthening of the useful lives of the assets are capitalised.

The balances of assets retired as a result of modernisation or for any other reason are derecognised from the related cost, accumulated depreciation and, if appropriate, impairment loss accounts.

The Company transfers items of property, plant and equipment in the course of construction to property, plant and equipment in use when they are ready for their intended use, at which time they start to be depreciated.

The property, plant and equipment in use is depreciated using the straight-line method, on the basis of the acquisition or production cost (revalued, if appropriate) of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, accordingly, is not depreciated.

The annual depreciation charge on property, plant and equipment is recognised under "Amortisation and Depreciation of Assets and Investment Property" in the income statement, based on the years of estimated useful life of the assets, except in the case of leased assets, in which case it is based on the shorter of the useful life of the asset and the lease term. The annual depreciation rates used correspond to the following years of estimated useful life:

	Useful life (years)
Buildings	25 to 50
Plant and machinery	7 to 20
Other fixtures, tools and furniture	10 to 20
Other items of property, plant and equipment	5 to 10

c) Investment property

The assets included under "Investment Property" in the balance sheet correspond to assets leased, mainly, to Group companies. This investment property is measured as described in Note 4-b on "Property, Plant and Equipment".

d) Impairment of non-current assets

The Company periodically assesses whether there are any indications that its non-current assets might have become impaired, for the purpose of determining whether their recoverable amount is lower than their carrying amount (impairment loss).

In this regard, whenever there are signs of impairment on intangible assets, property, plant and equipment and investment property, the Company tests these assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Similarly, if there is an indication of a recovery in the value of an impaired item of property, plant and equipment, the Company recognises the reversal of the impairment loss recognised in prior periods, with a credit to the income statement, and adjusts the future depreciation charges accordingly. In no circumstances the reversal of an impairment loss on an asset may raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

Also, the Company has developed a general, systematic procedure for carrying out these impairment tests, based on the monitoring of certain events or circumstances which indicate that the value of an asset may not be recovered in full. Non-current investments in Group companies and associates and non-current financial assets are reviewed at least once a year.

Calculation of the recoverable amount

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is established on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

In the case of investments in Group companies, the Company has defined each of the investees as basic cash-generating units. The cash flows were based on the budgets and business plans of the various companies, which generally cover a three-year period. The key assumptions on which the budgets and business plans are based are estimated sales growth and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Company operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated for the period not covered by the plan using a steady growth rate and an expense structure that is similar to that of the last year of the business plan. Where the growth rates exceed the industry or country rates, the latter reflect the Company's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for ten-year bonds issued by the governments in the relevant markets (or similar bonds, if there are no ten-year bonds), adjusted to reflect the risk increase. The average discount rate applied to calculate the present value of the estimated cash flows was 5.39% for 2018 (2017: 6.02%).

Also, the Company analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, did not disclose the potential existence of any additional impairment of the assets.

e) **Leases**

Leases are classified as "*finance leases*", whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as "*operating leases*".

Finance leases

At the commencement of the lease term, the Company recognises an asset and a liability for the lower of the fair value of the leased asset or the present value of the minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The initial direct costs are added to the amount recognised as an asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Company under finance leases are the same as those described in Note 4-b (property, plant and equipment). However, if there is no reasonable certainty that the Company will obtain ownership of the assets at the end of the lease term, they are amortised over the shorter of their useful life and the lease term.

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

Both when the Company acts as the lessor and when it acts as the lessee, lease income and expenses are recognised in the income statement in the year in which they accrue.

f) Financial instruments

A “*financial instrument*” -is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An “*equity instrument*” -is a contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A “*financial derivative*” -is a financial instrument whose value changes in response to the change in an observable market variable (*such as an interest rate, financial instrument price or market index*), whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

Financial assets

The financial assets held by the Company are classified in the following categories:

1. “*Loans, receivables and other financial assets*”. These comprise financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

These financial assets are measured at their nominal value since they do not have an established interest rate and are expected to be collected in the short term.

The Company recognises the appropriate impairment losses on receivables if there is a reduction or delay in the estimated future cash flows as a result of debtor insolvency. The amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows.

2. “*Equity investments in Group companies and jointly controlled entities*”. “*Group companies*” are defined as companies over which the Company has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Company directly or indirectly owns half or more of the voting power of the investee or, even if this percentage is lower or zero, when, as in the case of agreements with shareholders of the investee, the Company is granted control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

Investments in Group companies and jointly controlled entities are measured at acquisition cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence, the recoverable amount of the investment is taken to be the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (*including any goodwill*). Impairment losses recognised and reversed are charged and credited, respectively, to the income statement.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred.

Financial liabilities

Financial liabilities include those debits and accounts payable that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classified as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost using the "effective interest method", as described above. However, the financial liabilities with no set interest rate, and those which mature or are expected to be received in the short term, where the effect of discounting is not material, are measured at nominal value.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

Equity instruments

Equity instruments issued by the Company are recognised in "Equity" in the balance sheet at the proceeds received, net of issue costs.

Treasury shares acquired by the Company are presented separately at cost as a reduction of shareholders' equity in the balance sheet. No gain or loss is recognised in the income statement on treasury share transactions.

The related transaction costs are recognised as a reduction of reserves, after consideration of any tax effect.

Derivative financial instruments

Financial instruments acquired by the Company to hedge forecast transactions in foreign currencies are recognised at fair value.

Foreign currency hedges relating to forecast transactions are treated as cash flow hedges, and therefore any gains or losses derived from measuring the hedging instrument at fair value which correspond to the effective portion of the hedge are recognised in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognised in equity are taken to income when the forecast transaction takes place with a charge or credit to the income statement in which it was recognised. Also, gains or losses recognised in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognised, depending on whether it is positive or negative, under "Current Financial Assets" or "Current Payables" in the accompanying balance sheet.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. Also, the Company verifies, both at inception and periodically over the term of the hedge, using "effectiveness tests", that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument. In addition, the ineffective portion of the hedging instrument is recognised immediately in the income statement.

The fair value of the hedging instruments was calculated using valuation techniques based on the spot exchange rate and yield curves according to the fair value hierarchy shown below:

- Level 1: fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: Unobservable inputs for the asset or liability.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 2 instruments

The Company assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Company does not have financial instruments included in Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Company is calculated as follows:

Foreign currency forwards

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk-free zero coupon yield curve (or the interbank yield curve). This risk-free valuation is subsequently adjusted to include each parties' credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has a netting agreement for the derivative positions in the event of default.

g) Inventories

Inventories are measured at the lower of acquisition cost and net realisable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

Cost is calculated on a FIFO basis.

The cost of inventories is adjusted through "Cost of Goods Held for Resale Sold" in the income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.
- Finished goods for sale: estimated selling price in the normal course of business.

h) Grants, donations and bequests received

Grants, donations and bequests received are recognised as income in equity when they are officially granted, as the case may be, and when the conditions attached to them have been complied with and there is reasonable assurance that they will be received.

Grants related to assets are recognised in profit or loss in proportion to the depreciation taken on the assets financed with them or, where applicable, when the assets are disposed of, derecognised or an impairment loss is recognised.

j) Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the annual accounts and are reviewed at the end of each reporting period.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provisions are reversed.

There are no risks that might give rise to significant future contingencies affecting the Company that have not already been taken into account in these annual accounts.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control. Unlike provisions, contingent liabilities are not recognised in the balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

j) Employee benefits

The provisions for long-term incentives are recognised at year-end at the present value of the estimated future payments to be made in order to meet the obligations acquired (see Note 20). The expense accrued during the year is determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met, with a charge to personnel costs and finance costs. Any change in the estimates made are recognised with a charge or credit to the income statement for the year, based on their nature.

k) Income tax

The Company files consolidated income tax returns as part of a tax group of which it is the parent.

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense. These tax benefits are measured at face value unless the period for recovery is more than one year, in which case they are measured at present value, provided that this differs significantly from face value.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised, provided that they will be utilised within a maximum of ten years, unless there is clear evidence that they will be recovered within a period of more than ten years or there are deferred tax liabilities with an identical period of reversal.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

As required by the Spanish Accounting and Auditing Institute, the Group's policies establish that for each of the companies that belongs to the consolidated tax group, the income tax expense or benefit for the year is calculated on the basis of accounting profit before tax, increased or decreased, as appropriate, by the permanent differences from the taxable profit, net of the tax relief and tax credits corresponding to each company in the tax group under the consolidated tax regime.

l) Revenue and expense recognition

Revenue and expenses are recognised when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue from sales is recognised when the commitment obligations with the customer have been satisfied and which, in general, occurs when the goods are given to the customer and the customer pays for them. Revenue is recognised for the value of the consideration received. Refunds of sales, whether actual or forecast, are considered part of the total price of each sales transaction.

Sales to franchises are recognised following the same criteria.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income, which is recognised under "Revenue" since it forms part of the ordinary business of the Company, is recognised when the shareholders' right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

m) Current / non-current classification

The Company classifies assets and liabilities as current and non-current items in the balance sheet. Assets and liabilities are classified as current when they are expected to be realised or settled within twelve months of the balance sheet date, and are otherwise classified as non-current liabilities.

n) Foreign currency transactions

The Company's functional currency is the euro. Assets whose acquisition cost is denominated in a foreign currency are translated to euros at the exchange rate prevailing at the date of each acquisition or at the date on which the related items are included in assets.

Accounts receivable and payable denominated in foreign currency are translated to euros at the exchange rates prevailing at the transaction date and are subsequently translated at the end of the reporting period using the closing exchange rates. Any resulting gains or losses are recognised directly in profit or loss in the year in which they arise.

o) Related party transactions

The Company performs its transactions with Group companies and related parties on an arm's length basis. Also, the transfer pricings are adequately supported and, therefore, the Company's

Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

p) Statement of cash flows

The following terms are used in the statement of cash flows:

- a. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- b. Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- c. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- d. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

q) Statement of changes in equity

The statement of changes in equity presented in these annual accounts shows the total changes in equity in the year. This information is in turn presented in two statements: the statement of recognised income and expense and the statement of changes in total equity. The main characteristics of the information contained in the two parts of the statement are explained below:

Statement of recognised income and expense

This part of the statement of changes in equity presents the income and expenses generated by the Company as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the income statement for the year and the other income and expenses recognised, in accordance with current regulations, directly in equity.

Accordingly, this statement presents:

- a. Profit for the year.
- b. The net amount of income and expenses recognised directly in equity (*the income, net of the expenses arising during the year, recognised directly in equity, which remains under this line item even if in the same year it is transferred to profit or loss, to the initial carrying amount of other assets or liabilities, or is reclassified to another line item*).
- c. The amount transferred to profit or loss from equity (*the amount of the revaluation gains and losses and the asset-related grants previously recognised in equity, albeit in the same year, which are recognised in the income statement*).
- d. The total recognised income and expense, calculated as the sum of a) to c) above.

The amounts of these items are presented gross and the related tax effect is recognised under "Tax Effect" in this statement.

Statement of changes in total equity

This part of the statement of changes in equity presents all the changes in equity, including those arising from changes in accounting policies and from the correction of misstatements. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes are grouped together on the basis of their nature into the following items:

- a. Adjustments due to changes in accounting policies and to errors: include the changes in equity arising as a result of the retrospective restatement of the balances in the annual accounts due to changes in accounting policies or to the correction of misstatements.
- b. Income and expense recognised in the year: includes, in aggregate form, the total of the aforementioned items recognised in the statement of recognised income and expense.
- c. Other changes in equity: includes the remaining items recognised in equity, including, inter alia, increases and decreases in the Company's share capital, distribution of profit, transactions involving own equity instruments, share-based payments, transfers between equity items and any other increases or decreases in equity.

5 Intangible assets

The changes in 2018 and 2017 in the intangible asset accounts and in the related accumulated amortisation were as follows:

2018

	Opening balance	Additions (charge for the year)	Disposals	Transfers	Closing balance
Patents and similar items intangibles	14	1	-	-	15
Computer software	137	42	(1)	23	201
Intangible assets in progress and advances	28	17	-	(23)	22
Cost	179	60	(1)	-	238
Patents and similar items intangibles	(10)	(1)	-	-	(11)
Computer software	(65)	(27)	1	-	(91)
Accumulated amortisation	(75)	(28)	1	-	(102)
Net carrying amount	104				136

2017

	Opening balance	Additions (charge for the year)	Transfers	Closing balance
Patents and similar items intangibles	13	1	-	14
Computer software	93	12	32	137
Intangible assets in progress and advances	34	26	(32)	28
Cost	140	39	-	179
Patents and similar items intangibles	(9)	(1)	-	(10)
Computer software	(47)	(18)	-	(65)
Accumulated amortisation	(56)	(19)	-	(75)
Net carrying amount	84			104

Additions

The main additions in 2018 and in 2017 relate to the amount paid for the investment in new IT developments, which was recognised under “Computer Software” and “Intangible Assets in Progress and Advances”.

Fully amortised intangible assets

The Company's intangible assets include certain items which had been fully amortised at 31 January 2019 and 2018, the total cost and accumulated amortisation of which were as follows:

	31/01/2019	31/01/2018
Patents and similar items intangibles	6	5
Computer software	19	16
Total	25	21

6 Property, plant and equipment

The changes in 2018 and 2017 in the property, plant and equipment accounts and in the related accumulated depreciation were as follows:

2018

	Opening balance	Additions (charge for the year)	Disposals	Transfers (Note 7)	Closing balance
Land	11	-	(1)	13	23
Buildings	84	57	(4)	62	199
Plant and machinery	94	37	(2)	33	162
Other fixtures, tools and furniture	41	5	(1)	-	45
Other items of property, plant and equipment	200	19	(8)	5	216
Property, plant and equipment in the course of construction and advances	132	23	-	(117)	38
Cost	562	141	(16)	(4)	683
Buildings	(21)	(3)	1	-	(23)
Plant and machinery	(49)	(9)	-	-	(58)
Other fixtures, tools and furniture	(25)	(2)	1	-	(26)
Other items of property, plant and equipment	(62)	(23)	6	-	(79)
Accumulated depreciation	(157)	(37)	8	-	(186)
Net carrying amount	405				497

2017

	Opening balance	Additions (charge for the year)	Disposals	Transfers (Note 7)	Closing balance
Land	11	-	-	-	11
Buildings	81	3	(9)	8	84
Plant and machinery	91	7	(8)	4	94
Other fixtures, tools and furniture	40	1	-	-	41
Other items of property, plant and equipment	175	15	-	10	200
Property, plant and equipment in the course of construction and advances	62	98	-	(28)	132
Cost	460	124	(17)	(6)	562
Buildings	(18)	(3)	-	-	(21)
Plant and machinery	(44)	(5)	-	-	(49)
Other fixtures, tools and furniture	(22)	(3)	-	-	(25)
Other items of property, plant and equipment	(42)	(20)	-	-	(62)
Accumulated depreciation	(126)	(31)	-	-	(157)
Net carrying amount	334				405

Additions

The additions in 2018 relate mainly to expansion projects carried out at the Company's head office in Arteixo (A Coruña) and with the new logistics centre in A Laracha (A Coruña).

Asset revaluation

On 1 February 2013, the items of investment property were revalued pursuant to Law 16/2012, of 27 December; this had an effect on equity, net of tax, of EUR 9 million. The impact of this revaluation on the depreciation charge for 2018 was EUR 0.2 million (2017: EUR 0.3 million).

Fully depreciated property, plant and equipment

At 31 January 2019 and 2018, the property, plant and equipment and the investment property described in Note 7 included certain fully depreciated assets still in operation, the total cost and accumulated depreciation of which were as follows:

	31/01/2019	31/01/2018
Buildings	95	92
Plant and machinery	25	24
Other fixtures, tools and furniture	11	10
Other items of property, plant and equipment	26	25
Total	157	151

Property, plant and equipment acquired from the Group

The detail of the property, plant and equipment and investment property acquired from Group companies at 31 January 2019 and 2018 is as follows:

At 31 January 2019

	Cost	Accumulated depreciation	Total
Land and buildings	826	(262)	564
Plant and machinery	140	(43)	97
Other items of property, plant and equipment	7	(4)	3
Total	973	(309)	664

At 31 January 2018

	Cost	Accumulated depreciation	Total
Land and buildings	719	(241)	478
Plant and machinery	81	(35)	46
Other items of property, plant and equipment	5	(4)	1
Property, plant and equipment in the course of construction	32	-	32
Total	837	(281)	556

Insurance

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. The Company's Directors consider that the policies arranged at 31 January 2019 are sufficient to cover the risks inherent to its business activities.

7 Investment property

The changes in 2018 and 2017 in "Investment Property" were as follows:

2018

	Opening balance	Additions (charge for the year)	Disposals	Transfers (Note 6)	Closing balance
Land	102	-	(1)	-	101
Buildings	744	10	(2)	4	756
Cost	846	10	(3)	4	857
Buildings	(280)	(27)	2	-	(305)
Accumulated depreciation	(280)	(27)	2	-	(305)
Net carrying amount	566				552

2017

	Opening balance	Additions (charge for the year)	Transfers (Note 6)	Closing balance
Land	102	-	-	102
Buildings	728	10	6	744
Cost	830	10	6	846
Buildings	(249)	(31)	-	(280)
Accumulated depreciation	(249)	(31)	-	(280)
Net carrying amount	581			566

Investment property relates mainly to land and buildings leased by the Company to Group companies whose corporate purpose is the provision of logistics services.

The lease income from the Company's investment property in 2018 and 2017 amounted to EUR 38 million per year and is recognised under "Other Operating Income - Non-Core and Other Current Operating Income" in the accompanying income statements (see Note 15).

The operating expenses related to the investment properties owned by the Company amounted to EUR 2 million in 2018 (2017: EUR 1 million).

Additions

The additions in 2018 related mainly to expansion and improvement projects carried out at the Narón (A Coruña) and Zaragoza logistics centres.

Asset revaluation

On 1 February 2013, the items of investment property were revalued pursuant to Law 16/2012, of 27 December; this had an effect on equity, net of tax, of 35 million. The effect of this revaluation on the depreciation charge for 2018 and 2017 was EUR 1 million per year.

Insurance

The Company takes out insurance policies to cover the possible risks to which its investment property is exposed. The Company's Directors consider that the insurance coverage arranged is adequate.

8 Investments in Group companies and financial assets (current and non-current)

The detail of investments in Group companies and financial assets (current and non-current) at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Non-current investments in Group companies, jointly controlled entities and associates		
Equity investments	4,035	2,390
Impairment losses	(78)	(86)
Loans to companies (Note 15)	395	176
Total	4,352	2,480
Non-current financial assets		
Equity instruments		
Cost	14	14
Impairment losses	(12)	(12)
Other financial assets	195	195
Total	197	197
Current investments in Group companies, jointly controlled entities and associates (Note 15)		
Loans to companies	3,899	1,057
Other financial assets	-	26
Total	3,899	1,083
Current financial assets		
Derivatives	9	-
Total	9	-

Non-current investments in Group companies, jointly controlled entities and associates Equity instruments

The most significant information in relation to Group companies, jointly controlled entities and associates at 31 January 2019 is detailed in Annex I.

The main changes in investments in equity instruments correspond to subsidiaries 100% own located in Italy, United Kingdom, Holland, Sweden and the United States of America, and are the result of the decisions taken by Group management regarding the management of operations.

Thus, acquisitions and capital increases totalling EUR 1,895 million were performed in 2018 (2017: EUR 26 million). Also, in 2018 non-monetary contributions were carried out amounting to EUR 352 million, reimbursements of contributions amounting to EUR 215 million, and sales to other subsidiaries of certain investments in Group companies the acquisition cost of which totalled EUR 387 million. The impact of these transactions has led to a credit amounting to EUR 137 million in the "Other Reserves" line item of the balance sheet and a profit of EUR 1,894 million recorded in the "Impairment and Gains or Losses on Disposal of Financial Instruments of Group Companies and Associates" line item of the income statement.

Impairment losses totalling EUR 8 million were reversed, based on the criteria detailed in Note 4-d, which were recognised under the same heading (2017: EUR 0.7).

None of the investees of Industria de Diseño Textil, S.A. are listed on the stock exchange.

Current investments in Group companies, jointly controlled entities and associates Loans to companies and other financial assets

At the close of 2018 the loans to Group companies recognised under non-current assets in the balance sheet relate to the financing of their activities and the purchase of property, plant and equipment. These loans accrue a market rate of interest.

In order to optimise the financial resources generated, the Company has implemented a centralised cash system among certain Group companies by setting up current accounts, the balances of which can be receivable or payable, depending on the particular circumstances of each company and which, in practice, are settled depending on each company's needs. These balances bear interest at a market rate which is settled on an annual basis. In this connection, the balances receivable included under "Current Investments in Group Companies, Jointly Controlled Entities and Associates" correspond to these current accounts. When the related balances are payable, they are recognised under "Current Payables to Group Companies, Jointly Controlled Entities and Associates" (see Note 15).

The balances arising on tax consolidation are also recognised under this heading (see Note 15).

Non-current financial assets

At 31 January 2019, the balance of "Non-Current Financial Assets - Other Financial Assets" included mainly advances made as a result of future payment obligations.

Derivative financial instruments

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers in US dollars. The Company, in accordance with prevailing foreign currency risk management policies established by the Inditex Group, uses derivative financial instruments (basically forwards) to hedge fluctuations in the cash flows related to these transactions and associated with the exchange rate.

The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In this connection, in 2018 and 2017 there were no highly probable forecast transactions to which hedge accounting was applied that did not ultimately occur.

At 31 January 2019 and 2018, the Company had open derivative positions (basically forward US dollar purchases), which are shown under "Current Financial Assets" or "Current Payables" in the accompanying balance sheet, depending on their balance. The detail of the fair value of these hedging instruments for 2018 and 2017 is as follows:

2018

CURRENT FINANCIAL ASSETS					
Description	Level	Fair value at beginning of year	Amount taken to profit or loss	Gain or loss recognised directly in equity	Fair value at end of year
Foreign currency forwards	2	-	17	(8)	9
Total		-	17	(8)	9

CURRENT PAYABLES					
Description	Level	Fair value at beginning of year	Amount taken to profit or loss	Amount transferred to profit or loss from equity	Fair value at end of year
Foreign currency forwards	2	57	(26)	(19)	12
Total		57	(26)	(19)	12

2017

CURRENT FINANCIAL ASSETS					
Description	Level	Fair value at beginning of year	Amount taken to profit or loss	Amount transferred to profit or loss from equity	Fair value at end of year
Foreign currency forwards	2	41	(40)	1	-
Options	2	5	-	(5)	-
Total		46	(40)	(4)	-

CURRENT PAYABLES					
Description	Level	Fair value at beginning of year	Amount taken to profit or loss	Gain or loss recognised directly in equity	Fair value at end of year
Foreign currency forwards	2	10	28	19	57
Total		10	28	19	57

There have been no transfers between the different levels.

The changes in the fair value of the hedging instruments detailed depend mainly on the changes in the US dollar contract rate and the changes in the short-term yield curves.

9 Cash and cash equivalents

The cash balances include cash in hand and demand deposits at banks.

All the balances under these line items are unrestricted as to their use and there are no guarantees or pledges attached to them.

10 Inventories

The detail of this line item at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Goods held for resale	784	781
Raw materials and other supplies	71	64
Total	855	845

The Company takes out insurance policies to cover the possible risks to which its inventories are exposed. The Company's Directors consider that the insurance coverage arranged is adequate.

11 Equity

Shareholders' equity

Share capital

At 31 January 2019 and 2018, the Company's share capital was represented by 3,116,652,000 fully subscribed and paid-up shares of EUR 0.03 par value each, which confer identical voting rights upon their holders, and which are represented by book entries.

INDITEX shares are listed on the four Spanish stock exchanges. The Company issues shares represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, Inditex has hired to Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) its services related to the provision of the daily share ownership notification.

As per the Company's Shareholder Register, as well as the public registers of the Spanish National Securities Market Commission (CNMV), the Company's significant shareholders at 31 January 2019 and 2018 were as follows:

Shareholder	31/01/2019		31/01/2018	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Pontegadea Inversiones, S.L.	1,558,637,990	50.01%	1,558,637,990	50.01%
Partler 2006, S.L.	289,362,325	9.28%	289,362,325	9.28%
Rosp Corunna Participaciones Empresariales, S.L.	157,474,030	5.05%	157,474,030	5.05%
Total	2,005,474,345	64.34%	2,005,474,345	64.34%

At 31 January 2019 and 2018, the members of the Board of Directors or their related companies controlled approximately 59.364% and 59.362%, respectively, of the Company's share capital, as detailed in Annex II.

Legal reserve

Under the Spanish Companies Act, the Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. At 31 January 2019 and 2018, the legal reserve had reached the legally required minimum.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Revaluation reserve

Pursuant to Law 16/2012, of 27 December, in 2013 the Company revalued its property, plant and equipment and investment property assets. The amount of the revaluation, net of the 5% tax charge, was EUR 44 million (see Note 6 and Note 7).

Dividends

The dividends paid by the Company in 2018 and 2017 amounted to EUR 2,335 million and EUR 2,117 million, respectively. These amounts correspond to payments of EUR 0.75 per share in 2018 and EUR 0.68 per share in 2017. The distribution of profit for 2018 proposed by the Board of Directors is shown in Note 3.

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 20) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan.

At 31 January 2019, the Company owned 2,950,143 treasury shares, representing 0.095% of the share capital.

12 Long-term provisions

The detail of "Long-Term Provisions" at 31 January 2019 and 2018 and of the changes therein in 2018 is as follows:

	Balances at 31/01/2018	Charge for the year and transfers to short term	Balances at 31/01/2019
Long-term provisions			
Other provisions			
Provisions for third-party liability	3	(2)	1
Provision for pensions and similar obligations to personnel	21	(8)	13
Total	24	(10)	14

Provisions for third-party liability

The balances of this line item relate to provisions recognised to cover any risks that might arise for the Company in the performance of its ordinary activities. An analysis is performed each year of the portion that will foreseeably have to be settled the following year, and the related amount is reclassified to current liabilities.

In estimating the amounts provisioned at year-end, the Company used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The Company's Directors consider that the provisions recognised in the balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognised to arise therefrom.

Provision for pensions and similar obligations to personnel

The Company has undertaken to settle specific obligations to personnel. The Company has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2019. The estimated average payment period for the amounts provisioned is three years.

13 Non-current and current accruals and deferred income

These line items include mainly the amount not yet recognised in profit or loss of the income arising from transfers of assets between Group companies, which were paid in full in 2013. The amount transferred to profit or loss in 2018 and 2017 in this connection was EUR 123 million, which was recognised under "Other Operating Income - Non-Core and Other Current Operating Income" (See Note 15).

14 Non-current and current liabilities

The breakdown of the balances of "Non-Current Payables" and "Current Payables" in the accompanying balance sheets as at 31 January 2019 and 2018 is as follows:

	31/01/2019			31/01/2018		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Obligations under finance leases	3	5	8	1	2	3
Derivatives (Note 8)	12	-	12	57	-	57
Other financial liabilities						
Payable to non-current asset suppliers	5	-	5	4	-	4
Other payables	36	-	36	35	1	36
Total	56	5	61	97	3	100

"Other Payables" includes mainly deposits received from franchises and other counterparties to secure the payment for the supply of finished goods and other transactions, as well as the debts recognised as a result of the existence of cross call and put options between the Company and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The variations in the option prices are due basically to the fact that the prices are linked to the number of stores operated and to the shareholders' equity and the profit or loss of these subsidiaries.

Following is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Company holds a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non-controlling shareholder. The strike price is set on the basis of the non-controlling shareholders' share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Company holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholders' share of the equity of the investee when the call option is exercised.

The Company had been granted credit facilities with a limit of EUR 698 million at 31 January 2019 (31 January 2018: EUR 689 million). At 31 January 2019 and 2018, no balances had been drawn down.

15 Balances and transactions with Group and related companies

Balances

The detail of the Company's balances with Group entities, jointly controlled entities and related companies at 31 January 2019 and 2018 is as follows:

	31/01/2019			31/01/2018		
	Short term	Long term	Total	Short term	Long term	Total
Trade receivables	296	-	296	247	-	247
Loans (Note 8)	3,675	395	4,070	751	176	927
Receivables arising from filing of consolidated tax returns (Notes 8 & 16)	224	-	224	306	-	306
Other current financial assets	-	-	-	26	-	26
Total	4,195	395	4,590	1,330	176	1,506
Payables to suppliers	928	-	928	813	-	813
Payables	509	6	515	1,517	6	1,523
Payables arising from filing of consolidated tax returns (Note 16)	4	-	4	2	-	2
Total	1,441	6	1,447	2,332	6	2,338

Transactions

The detail of the transactions with Group and related companies in 2018 and 2017 is as follows:

2018

	Group Companies	Jointly controlled entities	Other related parties	Total
Expenses and Incomes				
Purchases	4,318	1	-	4,319
Other expenses	980	-	-	980
Finance costs	2	1	-	3
Total Expenses	5,300	2	-	5,302
Sales	7,436	-	-	7,436
Dividends	8,150	20	-	8,170
Operating lease income (Note 7)	38	-	-	38
Other income	180	18	-	198
Total Income	15,804	38	-	15,842
Other Transactions				
Disposals of Group investments (Note 8)	2,281	-	-	2,281
Disposals of property, plant and equipment	5	-	1	6

2017

	Group Companies	Jointly controlled entities	Total
Expenses and Incomes			
Purchases	4,178	-	4,178
Other expenses	890	-	890
Finance costs	2	-	2
Total Expenses	5,070	-	5,070
Sales	7,130	-	7,130
Dividends	1,993	22	2,015
Operating lease income (Note 7)	38	-	38
Other income	183	41	224
Finance income	1	-	1
Total Income	9,345	63	9,408
Other Transactions			
Disposals of property, plant and equipment	17	-	17

The main transactions relate to the sales of products to subsidiaries worldwide and the services provided thereto, such as those relating to franchise fees or rentals and the transfer of assets (see Note 13) - all of which are performed through the agreements entered into by the Company with the

companies in its Group in order to carry on the activities described in Note 1, as well as the dividends received from subsidiaries. "Other Expenses" includes mainly logistics and design services provided by Group companies. The finance costs and finance income arise from the financial balances held by the Company with the Group companies described above.

16 Taxes

Income tax

Industria de Diseño Textil, S.A. files consolidated tax returns as the parent of a tax group formed by the following subsidiaries:

Bershka BSK España, S.A.	Hampton, S.A.	Oysho España, S.A.	Tordera Logística, S.L.
Bershka Diseño, S.L.	Indipunt, S.L.	Oysho Logística, S.A.	Trisko, S.A.
Bershka Logística, S.A.	Inditex, S.A.	Plataforma Cabanillas, S.A.	Uterque Diseño, S.L.
Born, S.A.	Inditex Logística, S.A.	Plataforma Europa, S.A.	Uterque España, S.A.
Choolet, S.A.	Invercarpro, S.A.	Plataforma Logística León, S.A.	Uterque Logística, S.A.
Comditel, S.A.	Kiddy's Class España, S.A.	Plataforma Logística Meco, S.A.	Uterque, S.A.
Confecciones Fíos, S.A.	Lefties España, S.A.	Pull & Bear Diseño, S.L.	Zara Diseño, S.L.
Confecciones Goa, S.A.	Lefties Logística, S.A.	Pull & Bear España, S.A.	Zara España, S.A.
Denllo, S.A.	Massimo Dutti Diseño, S.L.	Pull & Bear Logística, S.A.	Zara Home Diseño, S.L.
Fashion Logistics Forwarders, S.A.	Massimo Dutti Logística, S.A.	Samlor, S.A.	Zara Home España, S.A.
Fashion Retail, S.A.	Massimo Dutti, S.A.	Stear, S.A.	Zara Home Logística, S.A.
Fibracolor, S.A.	Nikole, S.A.	Stradivarius Diseño, S.L.	Zara Logística, S.A.
Glencare, S.A.	Nikole Diseño, S.L.	Stradivarius España, S.A.	Zara, S.A.
Goa-Invest, S.A.	Oysho Diseño, S.L.	Stradivarius Logística, S.A.	Zintura, S.A.
Grupo Massimo Dutti, S.A.			

The reconciliation of the accounting profit for 2018 and 2017 to the taxable profit for income tax purposes is as follows:

2018

	Increase	Decrease	Total
Income and expense for the year			10,381
Income tax			85
Profit before taxes			10,466
Permanent differences			
Individual company	19	(10,071)	(10,052)
Temporary differences			
Of the individual company arising in the year	37	-	37
Of the individual company arising in prior years	15	(22)	(7)
Consolidation adjustments	15	(16)	(1)
Taxable profit			443

2017

	Increase	Decrease	Total
Income and expense for the year			2,375
Income tax			109
Profit before taxes			2,484
Permanent differences			
Individual company	19	(2,017)	(1,998)
Temporary differences			
Of the individual company arising in the year	39	-	39
Of the individual company arising in prior years	15	(12)	3
Consolidation adjustments	19	(15)	4
Taxable profit			532

The most significant permanent differences correspond to expenses which are not considered as tax deductible amounting to EUR 19 million which nearly completely are donations (same amount in 2017); EUR 6,784 million due to the application of the exemption from international double taxation on dividends and capital gains (EUR 900 million in 2017) and EUR 3,280 million due to the application of the exemption from internal double taxation on dividends, including that relating to dividends of companies in the tax group (EUR 1,115 million in 2017).

Income tax expense

The calculation of the income tax expense for 2018 and 2017 is as follows:

2018

	Profit or loss
Income and expense for the year before income tax	10,466
Tax charge at 25%	2,617
Non-deductible expenses	5
Exemption from double taxation on dividends and capital gains	(2,516)
Tax relief and tax credits in the current year	(6)
Other adjustments	(15)
Income tax expense	85

2017

	Profit or loss
Income and expense for the year before income tax	2,484
Tax charge at 25%	621
Non-deductible expenses	5
Exemption from international double taxation on dividends	(504)
Tax relief and tax credits in the current year	(25)
Other adjustments	12
Income tax expense	109

Deferred taxes

The detail of deferred tax assets and of the changes therein at 31 January 2019 and 2018 is as follows:

2018

	31/01/2018	Profit or loss	Equity	31/01/2019
Valuation adjustments	5	-	-	5
Assets tax group	-	27	-	27
Provisions for obligations to personnel	12	3	-	15
Limitation on deductibility of depreciation and amortisation - Law 16/2012	3	-	-	3
Unused tax credits relating to the reversal of temporary measures - Law 16/2012	1	-	-	1
Foreign currency hedges	5	-	(3)	2
Total	26	30	(3)	53

2017

	31/01/2017	Profit or loss	Equity	31/01/2018
Valuation adjustments	5	-	-	5
Unused tax credits	3	(3)	-	-
Provisions for obligations to personnel	6	6	-	12
Limitation on deductibility of depreciation and amortisation - Law 16/2012	4	(1)	-	3
Unused tax credits relating to the reversal of temporary measures - Law 16/2012	1	-	-	1
Foreign currency hedges	-	-	5	5
Total	19	2	5	26

The detail of deferred tax liabilities and of the changes therein at 31 January 2019 and 2018 is as follows:

2018

	31/01/2018	Profit or loss	31/01/2019
Valuation adjustments	(11)	3	(8)
Inventories of companies in the tax group	(4)	-	(4)
Total	(15)	3	(12)

2017

	31/01/2017	Profit or loss	Equity	31/01/2018
Foreign currency hedges	(1)	-	1	-
Valuation adjustments	(15)	4	-	(11)
Inventories of companies in the tax group	(4)	-	-	(4)
Total	(20)	4	1	(15)

The deferred tax liabilities include those corresponding to intra-Group transactions, as a result of the application of the consolidated tax regime.

Of the change in the net balance of deferred tax assets and liabilities, EUR 3 million were recognised with a debit to equity (EUR 6 million credited to equity in 2017) and EUR 33 million were credited to profit or loss (2017: EUR 6 million credited to profit or loss in 2017).

Industria de Diseño Textil, S.A. generated tax credits amounting to EUR 6 million in relation to donations (2017: EUR 3 million).

The income tax expense for the year includes withholdings borne abroad and not deducted relating to income received from foreign subsidiaries, amounting to EUR 15 million (EUR 10 million in 2017).

As a result of the transactions described, the breakdown of the income tax expense for 2018 and 2017 is as follows:

	2018	2017
Current tax	118	115
Deferred tax	(33)	(6)
Total income tax expense	85	109

Other tax disclosures

Pursuant to Transitional Provision 16 of Spanish Income Tax Law 27/2014, as amended by Royal Decree-Law 3/2016, the Company made a positive adjustment of EUR 21 million to the accounting profit in relation to the reversal of the impairment losses on certain investees. The impairment losses pending of reversal at 31 January 2019 amount to EUR 42 million.

Currently, there is a tax audit open in relation to the Corporate Income Tax of the tax group of which Inditex is the parent company for the fiscal years 2013, 2014, 2015 and 2016. The company does not expect that significant additional liabilities may arise as a result of such tax audit or other tax audits it has to face in the future.

At the date of preparation of the annual accounts, the statute-of-limitations period for Corporate Income Tax of 2013 and subsequent years had not expired, and neither had the other tax obligations relating to 2015 and subsequent tax periods.

17 Guarantee commitments to third parties

At 31 January 2019 and 2018, the Company had provided third parties with certain guarantees to various public authorities and entities, with the following limits:

	31/01/2019	31/01/2018
Customs authorities	30	30
Spanish tax authorities	10	15
Other entities	18	10
Total	58	55

The Company's Directors consider that any losses or liabilities not foreseen at 31 January 2019 that might arise from the aforementioned guarantees provided would not in any event be material.

18 Income and expenses

18.1 Revenue

The breakdown, by geographical markets, of the Company's revenue for 2018 and 2017 is as follows:

	2018	2017
Revenue from the sale of goods		
Spain	1,398	1,449
Rest of Europe	3,854	3,253
Americas	1,224	1,091
Rest of the world	1,994	2,384
Revenue from the rendering of services		
Spain	25	24
Rest of Europe	27	26
Dividends and other income		
Spain	3,280	1,115
Rest of Europe	4,821	740
Americas	23	63
Rest of the world	46	97
Total	16,692	10,242

18.2 Procurements

The detail of "Procurements" in the accompanying Income Statements for 2018 and 2017 is as follows:

	2018	2017
Purchases of goods held for resale, raw materials and other supplies	6,539	6,490
Changes in inventories of raw materials, goods held for resale and other supplies	(1)	(82)
Changes in provisions	(11)	10
Work performed by other companies	89	83
Total	6,616	6,501

The detail of the purchases made by the Company in 2018 and 2017 based on the geographical location of suppliers, is as follows:

	2018	2017
Purchases of goods held for resale		
Spain	1,808	1,754
Rest of Europe	3,907	3,939
Rest of the world	257	220
Purchases of raw materials		
Spain	213	204
Rest of Europe	308	313
Rest of the world	46	60
Total	6,539	6,490

18.3 Employee benefits

The detail of "Employee Benefits" in the statements of profit or loss for 2018 and 2017 is as follows:

	2018	2017
Employer social security costs	26	22
Other employee benefit costs	7	5
Total	33	27

The number of employees at 31 January 2019 and 2018, by professional category and gender, was as follows:

2018

	Gender		Total
	Men	Women	
Corporate central services	423	542	965
Commercial central services	489	625	1,114
Total	912	1,167	2,079

2017

	Gender		Total
	Men	Women	
Corporate central services	429	563	992
Commercial central services	407	534	941
Total	836	1,097	1,933

In 2018 the average number of employees at the Company was 948 in corporate central services and 1,054 in commercial central services. In 2017 the average number of employees was 907 in corporate central services and 829 in commercial central services.

At 31 January 2019 there were 15 employees with a disability greater than or equal to thirty three percent (2017: 22 such employees). The average number of such employees in 2018 was 21 (2017: 19 employees).

In 2018 and 2017 and at 31 January 2019 and 2018 the Board of Directors comprised six men and three women.

18.4 Outsourced services

“Other Operating Expenses - Outsourced Services” includes mainly logistics and design services provided by other Group companies amounting to EUR 692 million (2017: EUR 641 million), and other indirect selling costs incurred on services provided by third parties amounting to EUR 487 million (2017: EUR 364 million). This line item also includes all the audit and consultancy services received, insurance premiums, travel expenses and utilities.

18.5 Foreign currency balances and transactions

The Company's revenue includes EUR 3,777 million (2017: EUR 3,492 million) relating mainly to sales in currencies other than the euro, including the US dollar, the pound sterling, the Japanese yen, the Mexican peso and other foreign currencies. “Procurements” includes purchases made mainly in US dollars amounting to EUR 1,707 million (2017: EUR 2,278 million). As a result of these transactions, the Company's balance sheet includes accounts receivable in currencies other than the euro, mainly in US dollars, amounting to EUR 60 million at 31 January 2019 (31 January 2018: EUR 85 million), and accounts payable amounting to EUR 415 million at 31 January 2019, mainly in US dollars (31 January 2018: EUR 465 million).

19 Information on the nature and level of risk

The Company's activities are exposed to various financial risks: market risk (including foreign currency risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's risk management focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the profitability of its business.

This note provides information on the Company's exposure to each of the aforementioned risks, the Company's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Company operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar and, to a lesser extent, the Mexican peso, Russian rouble, the Chinese yuan, the Japanese yen and the UK pound sterling.

Foreign currency risk arises on future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimisation of the Group's operations in order to minimise the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers in US dollars. In accordance with prevailing foreign currency risk management policies, the Company's management arranges derivatives, mainly foreign currency forwards (see Note 8), to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. Occasionally the Company also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro).

The Company supplies its subsidiaries with goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intercompany transactions (denominated in currencies other than the euro), the Company uses financial derivatives such as foreign currency forwards.

As described in Note 4-f, the Company applies hedge accounting to mitigate the volatility that would arise in the income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Company complies with the requirements detailed in Note 4-f on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Company applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Company verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2018, using hedge accounting, no significant amounts were recognised in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

Approximately 70% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to the year-end, while the remaining 30% are expected to fall due between six months and one year. Also, the impact on the income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 4-f.

As part of its financial risk management policy, the Group to which the Company belongs uses the Cash-Flow-at-Risk (CFaR) methodology to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value-at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation comprises future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 140 million at 31 January 2019 (31 January 2018: EUR 154 million).

Credit risk

The Company's main financial assets are trade and other receivables and loans to Group companies, which represent the Company's principal exposure to credit risk.

At 31 January 2019, the accounts receivable from franchises were secured by deposits and by guarantees provided by banks of recognised solvency of which Industria de Diseño Textil, S.A. is the beneficiary.

The Company adopts prudent criteria in its investment policy the main objectives of which are to mitigate the credit risk associated with investment products and the counterparty risk associated with banks by establishing highly detailed analysis criteria.

Investment vehicles are rated using a selection of criteria, including, inter alia, the ratings of the three main rating agencies, the size of the investment vehicle, location and returns. All the investment vehicles have the highest possible credit rating.

In addition to taking into account the credit ratings issued by the three main rating agencies, the Company considers the solvency, liquidity, asset quality and managerial prudence of the banks, as well as the performance potential of the bank in stressed conditions and standard probability of default models.

Based on the aforementioned counterparty risk considerations, the Company assigns a rating that determines the maximum permissible exposure to a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Company. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfilment by the investment vehicle of domestic and regulatory requirements.

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement. Occasionally, where deemed necessary, the Company requests that additional security be provided in the form of pledged collateral.

In relation to credit risk arising from commercial transactions, impairment losses are recognised for trade receivables when objective evidence exists that the Group will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the income statement. In 2018 there were no significant additions to or applications in this connection.

At 31 January 2019 and 2018, there were no material past-due balances. Furthermore, based on available historical data, the Company's Directors did not consider it necessary to make valuation adjustments to receivables.

Liquidity risk

The Company is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Company has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 14).

Note 14 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Company's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Company's investment policy, any changes in interest rates at year-end would not significantly affect profits.
- Financial debt: given the amount of the Company's external financing, any change in interest rates at year-end would not significantly affect profits.
- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets) (see Note 4-d).
- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Company does not have any financial assets or liabilities designated as at fair value through profit or loss. A potential change in the fair value would not have a significant impact.

Country risk

The international presence of the Company's subsidiaries exposes it to the country risk of numerous geographical regions, mainly in its supply activities. The Company adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

One of the most significant manifestations of country risk is foreign currency risk and the possibility of exposure to limits or controls on the free circulation of cash flows due to a lack of currency convertibility, in current or capital account terms, or to unexpected restrictions on the movement of capital. The Company manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum.

At 31 January 2019, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Company or its subsidiaries. Similarly, there are no significant restrictions on the Company's ability to access the assets and settle the liabilities of its subsidiaries.

Brexit-related Risks

Since the announcement of the referendum on the permanence of the United Kingdom in the European Union in 2016, measures have been taken to mitigate the potential impact of this process for the Group. Even though there is still uncertainty about the possible date of entry into force of Article 50 of the EU Treaty, as a result of which the United Kingdom would leave the European Union, it is certain that a no-deal Brexit would mean significant changes in the regulatory framework in which the group operates in the United Kingdom, as well as in trade relations between the United Kingdom and the EU, as these would be governed by the rules of the World Trade Organisation (WTO).

In anticipation that the United Kingdom may leave the European Union without a negotiated agreement, the Group has comprehensively evaluated what the potential impact for the business in this market would be, and for the Group as a whole. The areas of the Group responsible for

management and control of the different risks, have conducted a coordinated analysis of the causes, repercussions, as well as the supposed deadlines for materialisation of the different impacts of a no-deal Brexit scenario. This year's proposal has been twofold. Firstly, to determine the criticality of the different risks and assess their impact, and secondly to design an action plan with specific mitigation measures, responsible for its execution, and the latest dates for its implementation.

Among the main risks arising from a no-deal Brexit is the possibility of transient disruptions in the supply of services and goods necessary for the normal operation of the Group's multi-channel commercial offer in the United Kingdom. Another of its manifestations would be the introduction of tariffs, as well as increased commercial friction resulting from the elimination of the free movement of goods and services. In all likelihood, the pound sterling would weaken, and consumption could slow down. An environment of regulatory uncertainty would generate tensions in the British labour market, as a result of the limitations on the free movement of persons and the change of residence and work regulations. In addition, the ensuing change to the regulation could compromise the supply of goods and services that the Group receives outside the United Kingdom from companies domiciled in that jurisdiction. Some of these suppliers may experience difficulties, which would deteriorate the level of their services. Despite the importance of a no-deal Brexit, the analysis exercise shows that the residual risk for the Group, once the mitigation actions have been implemented, would not be significant.

Capital management

The Company's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations.

There were no significant changes to capital management in the year.

20 Other disclosures

2016-2020 Long-Term Incentive Plan

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("the Plan") for members of the management team and other personnel of Inditex. Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time has elapsed and the achievement of specific targets has been verified, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the Plan has elapsed and spanned the period from 1 February 2016 to 31 January 2019. The second cycle spans the period from 1 February 2017 to 31 January 2020.

The Plan is linked to critical business targets and the creation of shareholder value.

The Plan does not expose the Company to any material risks.

The liability relating to the cash-settled component of the Plan is recognised under "Provisions" and "Remuneration payable" in the balance sheet and the related period provision is reflected under "Personnel Expenses" in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

The amount relating to the equity-settled component of the Plan is recognised under “Equity” in the balance sheet and the related period charge is reflected under “Personnel Costs” in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

To cater for this Plan, the Company acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 11).

The incentive to be received will be calculated as provided for in the resolution seven of the Annual General Shareholders' Meeting held on 19 July 2016.

Extraordinary profit-sharing plan

In response to the Group's development, in 2015 Inditex approved an extraordinary employee participation plan in the growth of the Company's profits for the 2015 and 2016. In 2017, the Group approved a new plan for employee participation in the growth of the Company's profits for the 2017 and 2018, with characteristics similar to the previous one.

In 2018, the part corresponding to 2017 was paid, following the criteria set out in Note 20 of the 2016 Notes to the annual accounts. During 2019, the part corresponding to 2018 will be paid.

Remuneration and other benefits paid to the Company's Directors and Senior Management

The amounts included in the following tables and paragraphs are expressed in thousands of euros.

The total remuneration earned by the Directors and Senior Management of Inditex in 2018 was as follows:

	Thousands of euros	
	Directors	Senior Management
Remuneration	11,419	22,682
Termination benefits	-	-
Total	11,419	22,682

The total remuneration earned by the Directors and Senior Management of Inditex in 2017 was as follows:

	Thousands of euros	
	Directors	Senior Management
Remuneration	12,620	16,604
Termination benefits	-	-
Total	12,620	16,604

According to the public registers of the Spanish National Securities Market Commission (CNMV), at 31 January 2019 the members of the Board of Directors held the direct and indirect ownership interests in the share capital of Inditex detailed in Annex II.

The aforementioned remuneration for 2018 includes the accrued amount corresponding to the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan. The amount accrued during 2018 for this incentive is EUR 3,052 thousand for Directors and EUR 9,260 thousand for the Senior

Management, instrumented in (i) a cash incentive, for a total gross amount of EUR 1,348 thousand for Directors and a gross amount of EUR 5,064 thousand for the Senior Management, and (ii) a share-based incentive, equivalent to a total of 69,985 shares, corresponding to a gross amount of EUR 1,704 thousand for Directors, and a total of 172,322 shares, corresponding to a gross amount of EUR 4,196 thousand for Senior Management.

The amounts accrued in 2017 corresponding to the second cycle (2014-2017) of the Shares Long-term Incentive Plan (2013-2017), were EUR 4,120 thousand for Directors and EUR 5,388 thousand for the Senior Management and were paid in the first half of 2017.

In 2018 and 2017 no contributions were made to the defined contribution benefit Plan.

The Company has taken out a third-party liability insurance policy that covers its Directors, Senior Management and other Managers and employees. The premium for 2018 amounted to EUR 176 thousand (2017: EUR 157 thousand).

In 2018 and 2017 the Company did not pay any remuneration to natural persons representing it on the managing bodies of other companies.

Disclosures required pursuant to Article 229 of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Text of the Spanish Companies Act

As established in Article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Law in order to improve corporate governance, it is hereby disclosed that the Directors did not report any situation of direct or indirect conflict of interest that they or persons related to them might have with the Company.

Notwithstanding the foregoing, Mr Rodrigo Echenique Gordillo, Mr Emilio Saracho Rodriguez de Torres and Ms Pilar López Álvarez hold positions on the boards of directors of Banco Santander, International Consolidated Airlines Group and Microsoft Iberica, respectively, and perform their functions as independent directors, without prejudice to the commercial relationships that Inditex has had with these companies for years. In any case, the Board of Directors ensures, through the Audit and Control Committee, that transactions with directors and/or significant shareholders, or with the respective related persons, are carried out under arm's length conditions and with respect to the principle of equal treatment of shareholders.

When the Board of Directors deliberated on the appointment or re-election of a director, on the acknowledgment and acceptance of his/her resignation, on the placement of his/her office at the disposal of the Board, on remuneration or on any other resolution involving a director or a person or company related to a director, the person concerned left the meeting room during the deliberation of and voting on the corresponding resolution.

Disclosures on the average period of payment to suppliers

Set out below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Auditing Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to annual accounts in relation to the average period of payment to suppliers in commercial transactions.

	2018	2017
Days		
Average period of payment to suppliers	46.76	46.56
Ratio of transactions settled	47.30	47.34
Ratio of transactions not yet settled	40.61	38.61
Amount		
Total payments made	1,012	930
Total payments outstanding	88	91

These balances relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to "Payable to Suppliers", "Payable to Suppliers - Group Companies and Associates" and "Sundry Accounts Payable" under "Current Liabilities" in the accompanying balance sheet at 31 January 2019 and 2018.

"Average period of payment to suppliers" is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

In addition, if for any reason the quality of the goods or services once received is lower than expected or agreed upon, it is the Company's policy not to make payments until the situation is rectified.

Fees paid to auditors

In 2018 and 2017 the fees for financial audit services provided by the auditor of the Company's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, amounted to EUR 0.3 million.

In addition, the auditor billed the Company for other services amounting to EUR 0.05 million in 2018 (2017: EUR 0.1 million).

Information on environmental activities

In view of the business activity performed by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the annual accounts.

Events after the reporting period

No significant events took place subsequent to 2018 year-end that have not been adequately disclosed in these annual accounts.

21 Explanation added for translation to English

These annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2-a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I

List of Company of investments in Group companies at 31 January 2019.

Company	Effective % of ownership	Location	Reporting date	Line of business	Shareholders' equity	Net investment
Comditel, S.A.	100.00%	Barcelona - Spain	31-jan	Buyer	2	-
Zara Asia, Ltd.	100.00%	Hong Kong SAR	31-jan	Retail sales	75	-
Choolet, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	1	1
Confecciones Fíos, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	4	1
Confecciones Goa, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	3	3
Denllo, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	3	-
Hampton, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	1	-
Nikole, S.A.	100.00%	A Coruña - Spain	31-jan	Buyer	4	1
Samlor, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	1	5
Stear, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	2	-
Trisko, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	1	1
Zintura, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	1	-
Glencare, S.A.	100.00%	A Coruña - Spain	31-jan	Textile Manufacturing	1	-
Indipunt, S.L.	100.00%	A Coruña - Spain	31-jan	Logistics	11	26
Zara España, S.A.	100.00%	A Coruña - Spain	31-jan	Retail sales	61	89
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	31-jan	Retail sales	28	95
Zara Belgique, S.A.	100.00%	Brussels - Belgium	31-jan	Retail sales	33	66
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	31-dec	Retail sales	26	2
Zara USA, Inc.	100.00%	New York - USA	31-jan	Retail sales	698	-
Zara France, S.A.R.L.	100.00%	Paris - France	31-jan	Retail sales	260	230
Zara UK, Ltd.	100.00%	London - UK	31-jan	Retail sales	12	-
Zara Mexico, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Holding company	29	-
Zara Hellas, S.A.	100.00%	Athens - Greece	31-jan	Retail sales	44	24
Zara México, S.A. de C.V.	95.00%	Mexico City - Mexico	31-dec	Retail sales	14	-
Zara Portugal- Confeçções, S.A.	100.00%	Lisbon - Portugal	31-jan	Retail sales	197	-
G.Zara Uruguay, S.A.	100.00%	Montevideo - Uruguay	31-jan	Retail sales	13	10
Zara Financiën B.V. Ireland	100.00%	Dublin - Ireland	31-jan	Financial services	1,432	-
Zara Brasil, LTDA.	100.00%	Sao Paulo - Brazil	31-dec	Retail sales	131	84
Zara Nederland, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Retail sales	14	13
Zara Österreich Clothing, GmbH	100.00%	Vienna - Austria	31-jan	Retail sales	12	8
Zara Danmark, AS.	100.00%	Copenhaguen - Denmark	31-jan	Retail sales	19	31
Zara Sverige, AB.	100.00%	Stockholm - Sweden	31-jan	Retail sales	3	34
Zara Norge, AS.	100.00%	Oslo - Norway	31-jan	Retail sales	5	7
Zara Canada, Inc.	100.00%	Montreal - Canada	31-jan	Retail sales	45	-
Zara Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	31-jan	Retail sales	21	6
Zara Luxembourg, S.A.	100.00%	Luxembourg - Luxembourg	31-jan	Retail sales	3	1
Za Giyim İthalat İhracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	31-jan	Retail sales	3	18
Zara Italia, S.R.L.	100.00%	Milan - Italy	31-jan	Retail sales	390	-
Zara Japan Corp.	100.00%	Tokyo - Japan	31-jan	Retail sales	127	-
Zara Česká Republika, S.R.O.	100.00%	Prague - Czech Republic	31-jan	Retail sales	7	13
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	31-jan	Retail sales	9	3
Za Clothing Ireland, Ltd.	100.00%	Dublin - Ireland	31-jan	Retail sales	19	15
Zara Magyarorszag, KFT.	100.00%	Budapest - Hungary	31-jan	Retail sales	10	7
Zara Holding, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Holding company	2,648	2,025
Zara Monaco, SAM	100.00%	Monte Carlo - Monaco	31-jan	Retail sales	18	-
Zara Commercial (Shanghai), Co Ltd.	100.00%	Shanghai - China	31-dec	Retail sales	119	26
Zara Commercial (Beijing), Co Ltd.	100.00%	Beijing - China	31-dec	Retail sales	45	8
Zara Macau, Ltd.	100.00%	Macao SAR	31-dec	Retail sales	15	-
Zara Polska, Sp. Zo.o.	100.00%	Warsaw - Poland	31-jan	Retail sales	7	40
JSC "Zara CIS"	100.00%	Moscow - Russia	31-dec	Retail sales	64	39
Zara Deutschland, GmbH	100.00%	Hamburg - Germany	31-jan	Holding company	125	114
Zara Bucuresti, Srl	100.00%	Bucharest - Romania	31-dec	Retail sales	39	7
Zara Ukraine LLC	100.00%	Kiev - Ukraine	31-dec	Retail sales	12	6
Zara Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	31-jan	Retail sales	6	4
ITX Taiwan B.V. Zara - Taiwan Branch	100.00%	Taipei - Taiwan	31-jan	Retail sales	-	-
Zara Croatia, Ltd.	100.00%	Zagreb - Croatia	31-jan	Retail sales	18	9
Zara Retail Korea, Co Ltd.	80.00%	Seoul - South Korea	31-jan	Retail sales	115	45
Zara Bulgaria Ltd	100.00%	Sofia - Bulgaria	31-dec	Retail sales	6	3
Zara Immobiliare Italia SRL	100.00%	Milan - Italy	31-jan	Real estate	-	-

Company	Effective % of ownership	Location	Reporting date	Line of business	Shareholders' equity	Net investment
Zara Diseño, S.L.	100.00%	A Coruña - Spain	31-jan	Design	40	-
Zara Management, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Holding company	-	-
Zara Retail NZ Limited	100.00%	Auckland - New Zealand	31-jan	Retail sales	3	-
KG ZARA Deutschland B.V. & Co.	100.00%	Hamburg - Germany	31-jan	Retail sales	97	-
Zara Retail South Africa (Proprietary), LTD.	90.00%	Johannesburg - South Africa	31-jan	Retail sales	12	-
Group Zara Australia Pty. Ltd.	100.00%	Sydney - Australia	31-jan	Retail sales	31	-
Limited Liability Company "ZARA BLR"	100.00%	Minsk - Belarus	31-dec	Retail sales	1	-
Zara S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana - Slovenia	31-jan	Retail sales	3	-
ITX Financien, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Financial services	249	-
ITX Taiwan, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Holding company	8	-
Zara Vittorio 11 Italia S.R.L.	100.00%	Milan - Italy	31-jan	Real estate	6	-
Zara BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	31-dec	Retail sales	7	3
Zara Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	31-jan	Retail sales	3	6
Nikole Diseño, S.L.	100.00%	A Coruña - Spain	31-jan	Design	2	-
Inditex Montenegro, D.O.O. Podgorica	100.00%	Podgorica - Montenegro	31-dec	Retail sales	3	-
Inditex Vastgoed Korea, Ltd.	100.00%	Seoul - South Korea	31-jan	Real estate	1	1
Inditex Trent Retail India Private Ltd	51.00%	Gurgaon - India	31-mar	Retail sales	56	5
Kiddy's Class España, S.A.	100.00%	A Coruña - Spain	31-jan	Retail sales	5	1
Fibracolor, S.A.	100.00%	Barcelona - Spain	31-jan	Dormant	10	10
ITX Holding, S.A.	100.00%	Fribourg - Switzerland	31-jan	Holding company	2,223	-
Zara Finland, OY	100.00%	Helsinki - Finland	31-jan	Retail sales	2	-
Retail Group Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	31-dec	Retail sales	10	-
ITX Financien III, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Financial services	226	-
ITX Albania SHPK	100.00%	Tirana - Albania	31-dec	Retail sales	9	-
Zara Fashion (Shanghai) CO., Ltd.	100.00%	Shanghai - China	31-dec	Retail sales	2	-
Oysho España, S.A.	100.00%	Barcelona - Spain	31-jan	Retail sales	12	18
Oysho Portugal - Confecções, S.A.	100.00%	Lisbon - Portugal	31-jan	Retail sales	8	-
Oysho Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Retail sales	12	-
Oysho Italia, S.R.L.	100.00%	Milan - Italy	31-jan	Retail sales	14	-
Oysho Hellas, S.A.	100.00%	Athens - Greece	31-jan	Retail sales	7	-
Oysho Giyim Ithalat Ihracet Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	31-jan	Retail sales	6	-
Oysho Polska, Sp zo.o	100.00%	Warsaw - Poland	31-jan	Retail sales	4	-
Oysho CIS, Ltd.	100.00%	Moscow - Russia	31-dec	Retail sales	11	-
Oysho France, S.A.R.L.	100.00%	Paris - France	31-jan	Retail sales	5	-
Oysho MAGYARORSZAG, KFT	100.00%	Budapest - Hungary	31-jan	Retail sales	1	-
Oysho Ro, Srl	100.00%	Bucharest - Romania	31-dec	Retail sales	3	-
Oysho Ukraine, Llc	100.00%	Kiev - Ukraine	31-dec	Retail sales	1	-
Oysho Diseño, S.L.	100.00%	Barcelona - Spain	31-jan	Design	2	-
Oysho Bulgaria, Ltd	100.00%	Sofia - Bulgaria	31-dec	Retail sales	1	-
Oysho Commercial & Trading (Shanghai) Co., Ltd.	100.00%	Shanghai - China	31-dec	Retail sales	13	-
Oysho Korea, Ltd	100.00%	Seoul - South Korea	31-jan	Retail sales	2	-
Oysho Croacia, Ltd	100.00%	Zagreb - Croatia	31-jan	Retail sales	-	-
Oysho Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	31-jan	Retail sales	-	-
Oysho Macau, Ltd	100.00%	Macao SAR	31-dec	Retail sales	2	-
Oysho Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	31-dec	Retail sales	2	-
Oysho Hong Kong Ltd	100.00%	Hong Kong SAR	31-jan	Retail sales	(1)	-
Oysho Belgique, S.A.	100.00%	Brussels - Belgium	31-jan	Retail sales	1	-
Limited Liability Company "OYSHO BLR"	100.00%	Minsk - Belarus	31-dec	Retail sales	-	-
Oysho Suisse SÄRL	100.00%	Fribourg - Switzerland	31-jan	Retail sales	1	-
Oysho Ceska Republica, SRO	100.00%	Prague - Czech Republic	31-jan	Retail sales	-	-
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	31-jan	Retail sales	36	23
Massimo Dutti Hellas, S.A.	100.00%	Athens - Greece	31-jan	Retail sales	10	-
Massimo Dutti Giyim Ithalat Ih.Ve.Tic. Ltd.	100.00%	Istanbul - Turkey	31-jan	Retail sales	6	-
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	31-jan	Retail sales	34	-
Massimo Dutti UK, Ltd.	100.00%	London - UK	31-jan	Retail sales	10	-
Massimo Dutti Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	31-jan	Retail sales	4	-
Massimo Dutti Sverige, AB	100.00%	Stockholm - Sweden	31-jan	Retail sales	2	-
Massimo Dutti Norge, AS.	100.00%	Oslo - Norway	31-jan	Retail sales	3	-
Massimo Dutti Italia, S.R.L.	100.00%	Milan - Italy	31-jan	Retail sales	24	-
Massimo Dutti Ireland., Ltd.	100.00%	Dublin - Ireland	31-jan	Retail sales	3	-
Massimo Dutti USA, INC.	100.00%	New York - USA	31-jan	Retail sales	4	-
Massimo Dutti Danmark AS	100.00%	Copenhagen - Denmark	31-jan	Retail sales	1	-
LLC Massimo Dutti	100.00%	Moscow - Russia	31-dec	Retail sales	30	-
Massimo Dutti Deutschland, GmbH	100.00%	Hamburg - Germany	31-jan	Holding company	13	-

Company	Effective % of ownership	Location	Reporting date	Line of business	Shareholders' equity	Net investment
Massimo Dutti Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Retail sales	40	-
Massimo Dutti, S.A.	100.00%	A Coruña - Spain	31-jan	Dormant	1	-
Massimo Dutti Hong Kong, Ltd.	100.00%	Hong Kong SAR	31-jan	Retail sales	2	-
Massimo Dutti Polska, Sp z.o.o.	100.00%	Warsaw - Poland	31-jan	Retail sales	5	-
Massimo Dutti Ro, Srl	100.00%	Bucharest - Romania	31-dec	Retail sales	7	-
Massimo Dutti Macau Ltd.	100.00%	Macao SAR	31-dec	Retail sales	4	-
Massimo Dutti Ukraine, Llc	100.00%	Kiev - Ukraine	31-dec	Retail sales	3	-
Massimo Dutti Česká Republika, s.r.o.	100.00%	Prague - Czech Republic	31-jan	Retail sales	1	-
Massimo Dutti Commercial Beijing Co, Ltd.	100.00%	Beijing - China	31-dec	Retail sales	5	-
Massimo Dutti Bulgaria, Ltd	100.00%	Sofia - Bulgaria	31-dec	Retail sales	4	-
Massimo Dutti Croatia, Ltd	100.00%	Zagreb - Croatia	31-jan	Retail sales	3	-
Massimo Dutti Korea, Ltd	100.00%	Seoul - South Korea	31-jan	Retail sales	3	-
Massimo Dutti Diseño, S.L.	100.00%	Barcelona - Spain	31-jan	Design	4	-
Massimo Dutti Commercial Shanghai CO, Ltd	100.00%	Shanghai - China	31-dec	Retail sales	20	-
Massimo Dutti Österreich Clothing, GMBH	100.00%	Vienna - Austria	31-jan	Retail sales	1	-
Massimo Dutti Nederland, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Retail sales	2	-
Massimo Dutti Canada, INC.	100.00%	Montreal - Canada	31-jan	Retail sales	(1)	-
Massimo Dutti Finland OY	100.00%	Helsinki - Finland	31-jan	Retail sales	1	-
Limited Liability Company "MASSIMO DUTTI BLR"	100.00%	Minsk - Belarus	31-dec	Retail sales	1	-
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana - Slovenia	31-jan	Retail sales	1	-
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100.00%	Taipei - Taiwan	31-jan	Retail sales	-	-
MD Benelux, SA	100.00%	Bruges - Belgium	31-jan	Retail sales	7	-
Italco Moda Italiana, SA	100.00%	Lisbon - Portugal	31-jan	Retail sales	12	-
Massimo Dutti Japan, Co.	100.00%	Tokyo - Japan	31-jan	Dormant	-	-
KG Massimo Dutti Deutschland, B.V. & CO.	100.00%	Hamburg - Germany	31-jan	Retail sales	2	-
Massimo Dutti Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	31-jan	Retail sales	2	-
Massimo Dutti Magyarország KFT	100.00%	Budapest - Hungary	31-jan	Retail sales	1	-
Master Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	31-dec	Retail sales	4	-
Massimo Dutti BH, D.O.O	100.00%	Sarajevo - Bosnia Herzegovina	31-dec	Retail sales	1	-
Massimo Dutti India Private Ltd	51.00%	Gurgaon - India	31-mar	Retail sales	4	-
Pull & Bear España, S.A.	100.00%	A Coruña - Spain	31-jan	Retail sales	37	9
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	31-jan	Retail sales	13	-
Pull & Bear Portugal Conf. SA	100.00%	Lisbon - Portugal	31-jan	Retail sales	11	-
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	31-jan	Retail sales	4	-
Pull & Bear Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Retail sales	22	-
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	31-jan	Retail sales	4	-
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	31-jan	Retail sales	20	-
Pull & Bear Italia, S.R.L.	100.00%	Milan - Italy	31-jan	Retail sales	47	-
Pull & Bear Ceska Republika, S.R.O.	100.00%	Prague - Czech Republic	31-jan	Retail sales	1	-
Pull & Bear Ireland, Ltd.	100.00%	Dublin - Ireland	31-jan	Retail sales	6	-
Pull & Bear Magyarország Kft.	100.00%	Budapest - Hungary	31-jan	Retail sales	4	-
Pull & Bear Polska, Sp zo.o	100.00%	Warsaw - Poland	31-jan	Retail sales	6	-
Pull & Bear CIS, Ltd.	100.00%	Moscow - Russia	31-dec	Retail sales	23	-
Pull & Bear UK Limited	100.00%	London - UK	31-jan	Retail sales	4	-
Pull & Bear Ro, Srl	100.00%	Bucharest - Romania	31-dec	Retail sales	12	-
Pull & Bear Ukraine, Llc	100.00%	Kiev - Ukraine	31-dec	Retail sales	5	-
Pull & Bear Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	31-jan	Retail sales	1	-
Pull & Bear Croatia, Ltd	100.00%	Zagreb - Croatia	31-jan	Retail sales	3	-
Pull & Bear Commercial Beijing Co, Ltd.	100.00%	Beijing - China	31-dec	Retail sales	24	-
Pull & Bear Bulgaria, Ltd	100.00%	Sofia - Bulgaria	31-dec	Retail sales	2	-
Pull & Bear Hong Kong Ltd	100.00%	Hong Kong SAR	31-jan	Retail sales	3	-
Pull & Bear Diseño, S.L.	100.00%	A Coruña - Spain	31-jan	Design	5	-
Pull & Bear Macau, Ltd	100.00%	Macao SAR	31-dec	Retail sales	3	-
Pull & Bear Nederland, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Retail sales	5	-
Pull & Bear Österreich Clothing, Gmbh	100.00%	Vienna - Austria	31-jan	Retail sales	1	-
Pull & Bear Korea, Ltd	100.00%	Seoul - South Korea	31-jan	Retail sales	(3)	-
Pull & Bear Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	31-jan	Retail sales	1	-
Pull & Bear BH, D.O.O	100.00%	Sarajevo - Bosnia Herzegovina	31-dec	Retail sales	2	-
Limited Liability Company "PULL AND BEAR BLR"	100.00%	Minsk - Belarus	31-dec	Retail sales	-	-
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana - Slovenia	31-jan	Retail sales	1	-
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100.00%	Taipei - Taiwan	31-jan	Retail sales	-	-
Plataforma Cabanillas, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	-	-

Company	Effective % of ownership	Location	Reporting date	Line of business	Shareholders' equity	Net investment
P&B GmbH	100.00%	Hamburg - Germany	31-jan	Holding company	5	-
Pull & Bear Deutschland BV& CO	100.00%	Hamburg - Germany	31-jan	Retail sales	3	-
Pro Retail Kazakhstan, LLP	100.00%	Stockholm - Sweden	31-dec	Retail sales	-	-
Pull & Bear Sverige, AB	100.00%	Stockholm - Sweden	31-jan	Retail sales	1	-
Pull & Bear Suisse, SÄRL	100.00%	Fribourg - Switzerland	31-jan	Retail sales	4	-
Uterqüe, S.A.	100.00%	A Coruña - Spain	31-jan	Buyer	30	45
Uterqüe España, S.A.	100.00%	A Coruña - Spain	31-jan	Retail sales	17	-
Uterqüe Hellas	100.00%	Athens - Greece	31-jan	Retail sales	-	-
Grupiterqüe Portugal Conf. SA	100.00%	Lisbon - Portugal	31-jan	Retail sales	3	-
Uterqüe Cis, Ltd	100.00%	Moscow - Russia	31-dec	Retail sales	2	-
Uterqüe Giyim Limited	100.00%	Istanbul - Turkey	31-jan	Retail sales	-	-
Uterqüe México S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Retail sales	4	-
Uterqüe Diseño, S.L.	100.00%	A Coruña - Spain	31-jan	Design	-	-
"ITX KOSOVO" L.L.C.	100.00%	Pristina	31-dec	Retail sales	1	-
ITX Italia, Srl.	100.00%	Milan - Italy	31-jan	Retail sales	1	-
ITX Finance Asia, LTD	100.00%	Hong Kong SAR	31-jan	Financial services	(1)	-
Inditex USA, LLC	100.00%	New York - USA	31-jan	Holding company	550	542
Uterqüe Commercial & Trading (Shanghai) Co., Ltd.	100.00%	Shanghai - China	31-dec	Retail sales	-	-
Uterqüe Polska SP. Z O.O.	100.00%	Warsaw - Poland	31-jan	Retail sales	1	-
Uterqüe Kazakhstan LLP	100.00%	Almaty - Kazakhstan	31-dec	Retail sales	-	-
Uterqüe Ukraine, LLC	100.00%	Kiev - Ukraine	31-jan	Retail sales	-	-
Bershka BSK España, S.A.	100.00%	Barcelona - Spain	31-jan	Retail sales	32	10
Bershka Portugal Conf. Soc. Unip. SA	100.00%	Lisbon - Portugal	31-jan	Retail sales	8	-
Bershka Hellas, S.A.	100.00%	Athens - Greece	31-jan	Retail sales	12	-
Bershka Mexico, S.A. de CV	100.00%	Mexico City - Mexico	31-dec	Retail sales	24	-
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100.00%	Istanbul - Turkey	31-jan	Retail sales	5	-
Bershka Belgique, S.A.	100.00%	Brussels - Belgium	31-jan	Retail sales	11	-
Bershka France, S.A.R.L.	100.00%	Paris - France	31-jan	Retail sales	45	-
Bershka Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	31-jan	Retail sales	4	-
Bershka Nederland, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Retail sales	12	-
Bershka Italia, S.R.L.	100.00%	Milan - Italy	31-jan	Retail sales	49	-
Bershka U.K., Ltd.	100.00%	London - UK	31-jan	Retail sales	4	-
Bershka Ireland, Ltd.	100.00%	Dublin - Ireland	31-jan	Retail sales	7	-
Bershka Ceska Republica, S.R.O.	100.00%	Prague - Czech Republic	31-jan	Retail sales	2	-
Bershka Croatia, Ltd.	100.00%	Zagreb - Croatia	31-jan	Retail sales	4	-
Bershka Polska Sp Z O.O.	100.00%	Warsaw - Poland	31-jan	Retail sales	7	-
Bershka Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	31-jan	Retail sales	2	-
Bershka Carpati, Srl	100.00%	Bucharest - Romania	31-dec	Retail sales	9	-
Bershka Ukraine, Llc	100.00%	Kiev - Ukraine	31-dec	Retail sales	5	-
Bershka Magyarorszag Kft.	100.00%	Budapest - Hungary	31-jan	Retail sales	4	-
Bershka Cis, Ltd	100.00%	Moscow - Russia	31-dec	Retail sales	40	-
Bershka Osterreich Clothing GmbH	100.00%	Vienna - Austria	31-jan	Retail sales	1	-
Bershka Hong Kong Limited	100.00%	Hong Kong SAR	31-jan	Retail sales	-	-
Bershka Commercial Beijing Co, Ltd	100.00%	Beijing - China	31-dec	Retail sales	19	-
Bershka Bulgaria, Ltd	100.00%	Sofia - Bulgaria	31-dec	Retail sales	2	-
Bershka Korea, Ltd	100.00%	Seoul - South Korea	31-jan	Retail sales	(5)	-
Bershka Diseño, S.L.	100.00%	Barcelona - Spain	31-jan	Design	7	-
Bershka Macau, Ltd	100.00%	Macao SAR	31-dec	Retail sales	1	-
Bershka Japan, Co	100.00%	Tokyo - Japan	31-jan	Retail sales	13	-
BSKE, GMBH	100.00%	Hamburg - Germany	31-jan	Holding company	18	-
Bershka BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	31-dec	Retail sales	2	-
Bershka Deutschland B.V. & CO. KG	100.00%	Hamburg - Germany	31-jan	Retail sales	5	-
Bershka Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	31-jan	Retail sales	1	-
Best Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	31-dec	Retail sales	2	-
Bershka Commercial (Shanghai) Co, Ltd	100.00%	Shanghai - China	31-dec	Retail sales	2	-
Bershka USA INC	100.00%	New York - USA	31-jan	Retail sales	-	-
Limited Liability Company "BK GARMENTS BLR"	100.00%	Minsk - Belarus	31-dec	Retail sales	1	-
Bershka S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana - Slovenia	31-jan	Retail sales	1	-
ITX Taiwan B.V. Bershka Taiwan Branch	100.00%	Taipei - Taiwan	31-jan	Retail sales	-	-
Stradivarius España, S.A.	100.00%	Barcelona - Spain	31-jan	Retail sales	31	116
Stradivarius Hellas, S.A.	100.00%	Athens - Greece	31-jan	Retail sales	13	-
ITX RE DAC	100.00%	Dublin - Ireland	31-jan	Insurance	135	-
Stradivarius Portugal, Conf. Unip. SA	100.00%	Lisbon - Portugal	31-jan	Retail sales	10	-
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100.00%	Istanbul - Turkey	31-jan	Retail sales	1	-
Stradivarius Polska, Sp zo.o	100.00%	Warsaw - Poland	31-jan	Retail sales	4	-

Company	Effective % of ownership	Location	Reporting date	Line of business	Shareholders' equity	Net investment
Stradivarius Ireland Limited	100.00%	Dublin - Ireland	31-jan	Retail sales	2	-
Stradivarius Italia SRL	100.00%	Milan - Italy	31-jan	Retail sales	34	-
Stradivarius CIS, Ltd.	100.00%	Moscow - Russia	31-dec	Retail sales	20	-
Stradivarius France, S.A.R.L.	100.00%	Paris - France	31-jan	Retail sales	13	-
Stradivarius Magyarorszag Kft.	100.00%	Budapest - Hungary	31-jan	Retail sales	4	-
Stradivarius Croatia, Ltd.	100.00%	Zagreb - Croatia	31-jan	Retail sales	4	-
Stradivarius Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	31-jan	Retail sales	1	-
Stradivarius Ro, Srl	100.00%	Bucharest - Romania	31-dec	Retail sales	6	-
Stradivarius Ukraine, Llc	100.00%	Kiev - Ukraine	31-dec	Retail sales	2	-
Stradivarius Ceská Republika, s.r.o.	100.00%	Prague - Czech Republic	31-jan	Retail sales	1	-
Stradivarius Commercial Shangai CO, Ltd	100.00%	Shanghai - China	31-dec	Retail sales	19	-
Stradivarius Bulgaria, Ltd	100.00%	Sofia - Bulgaria	31-dec	Retail sales	1	-
Stradivarius Diseño, S.L.	100.00%	Barcelona - Spain	31-jan	Design	4	-
Stradivarius Macau, Ltd	100.00%	Macao SAR	31-dec	Retail sales	1	-
Stradivarius Korea, Ltd	100.00%	Seoul - South Korea	31-jan	Retail sales	(1)	-
Stradivarius Hong Kong, Ltd	100.00%	Hong Kong SAR	31-jan	Retail sales	(1)	-
Stradivarius México, S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Retail sales	15	-
Stradivarius BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzeovina	31-dec	Retail sales	2	-
Stradivarius Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	31-jan	Retail sales	-	-
Stradivarius UK LIMITED	100.00%	London - UK	31-jan	Retail sales	-	-
Stradivarius Nederland, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Retail sales	1	-
Limited Liability Company "STRADIVARIUS BLR"	100.00%	Minsk - Belarus	31-dec	Retail sales	-	-
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana - Slovenia	31-jan	Retail sales	1	-
Spanish Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	31-dec	Retail sales	-	-
Stradivarius Japan Corporation	100.00%	Tokyo - Japan	31-jan	Retail sales	3	-
ITX Trading, S.A.	100.00%	Fribourg - Switzerland	31-jan	Buyer	859	-
Zara Home España, S.A.	100.00%	A Coruña - Spain	31-jan	Retail sales	17	6
Zara Home Portugal, Conf. SA	100.00%	Lisbon - Portugal	31-jan	Retail sales	18	-
Zara Home U.K., Ltd.	100.00%	London - UK	31-jan	Retail sales	3	-
Zara Home Hellas, S.A.	100.00%	Athens - Greece	31-jan	Retail sales	6	-
Zara Home Nederland, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Retail sales	2	-
Zara Home Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Retail sales	11	-
Zara Home Italia, S.R.L.	100.00%	Milan - Italy	31-jan	Retail sales	26	-
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	31-jan	Retail sales	3	-
Zara Home Francia, S.A.R.L.	100.00%	Paris - France	31-jan	Retail sales	20	-
Zara Home Ro, Srl	100.00%	Bucharest - Romania	31-dec	Retail sales	3	-
Zara Home CIS, Ltd.	100.00%	Moscow - Russia	31-dec	Retail sales	17	-
Zara Home Ukraine, Llc	100.00%	Kiev - Ukraine	31-dec	Retail sales	-	-
Zara Home Polska, Sp zo.o	100.00%	Warsaw - Poland	31-jan	Retail sales	1	-
Zara Home Diseño, S.L.	100.00%	A Coruña - Spain	31-jan	Design	2	-
Zara Home Deutschland B.V. & Co. KG	100.00%	Hamburg - Germany	31-jan	Retail sales	2	-
ZHE, Gmbh	100.00%	Hamburg - Germany	31-jan	Holding company	16	-
Zara Home Brasil Produtos para o Lar, Ltda.	100.00%	Sao Paulo - Brazil	31-dec	Retail sales	4	-
Zara Home Croatia, Ltd	100.00%	Zagreb - Croatia	31-jan	Retail sales	1	-
Zara Home Belgique, S.A.	100.00%	Brussels - Belgium	31-jan	Retail sales	5	-
Zara Home Commercial & Trading (Shangai) Co., Ltd.	100.00%	Shanghai - China	31-dec	Retail sales	8	-
Zara Home Japan Corp.	100.00%	Tokyo - Japan	31-jan	Retail sales	8	-
Zara Home Canada, Inc	100.00%	Montreal - Canada	31-jan	Retail sales	-	-
Zara Home Macao SUL	100.00%	Macao SAR	31-dec	Retail sales	-	-
Zara Home Sverige AB	100.00%	Stockholm - Sweden	31-jan	Retail sales	2	-
Zara Home Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	31-dec	Retail sales	2	-
Zara Home Hong Kong Ltd	100.00%	Hong Kong SAR	31-jan	Retail sales	1	-
G. Zara Home Uruguay, S.A.	100.00%	Montevideo - Uruguay	31-jan	Retail sales	3	-
Zara Home Suisse SÀRL	100.00%	Fribourg - Switzerland	31-jan	Retail sales	5	-
Zara Home Chile SPA	100.00%	Santiago de Chile - Chile	31-dec	Retail sales	2	-
Zara Home Australia Pty Ltd	100.00%	Sydney - Australia	31-jan	Retail sales	(3)	-
Zara Home Magyarorszag KFT.	100.00%	Budapest - Hungary	31-jan	Retail sales	1	-
Zara Home Korea LIMITED	100.00%	Seoul - South Korea	31-jan	Retail sales	1	-
Zara Home Danmark A/S	100.00%	Copenhagen - Denmark	31-jan	Retail sales	3	-
Zara Home SRB DOO Beograd	100.00%	Belgrade - Serbia	31-dec	Retail sales	1	-
Zara Home Bulgaria EOOD	100.00%	Sofia - Bulgaria	31-dec	Retail sales	-	-
Limited Liability Company "ZARA HOME BLR"	100.00%	Minsk - Belarus	31-dec	Retail sales	-	-
Zara Home Ceska Republica, SRO	100.00%	Prague - Czech Republic	31-jan	Retail sales	-	-
ITX Taiwan B.V. Zara Home Taiwan Branch	100.00%	Taipei - Taiwan	31-jan	Retail sales	-	-
Zara Logistica, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	1	-

Company	Effective % of ownership	Location	Reporting date	Line of business	Shareholders' equity	Net investment
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	31-jan	Logistics	2	2
Plataforma Logística León, S.A.	100.00%	León - Spain	31-jan	Logistics	9	6
Plataforma Logística Meco, S.A.	100.00%	Madrid - Spain	31-jan	Logistics	1	-
Pull & Bear Logística, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	1	-
Massimo Dutti Logística, S.A.	100.00%	Barcelona - Spain	31-jan	Logistics	-	-
Bershka Logística, S.A.	100.00%	Barcelona - Spain	31-jan	Logistics	2	-
Oysho Logística, S.A.	100.00%	Barcelona - Spain	31-jan	Logistics	1	-
Stradivarius Logística, S.A.	100.00%	Barcelona - Spain	31-jan	Logistics	-	-
Zara Home Logística, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	1	-
Uterqüe Logística, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	1	-
Uterque Fashion RO S.R.L.	100.00%	Bucharest - Romania	31-dec	Retail sales	-	-
Lefties Logística, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	1	-
Inditex Logística, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	5	-
Tordera Logística, S.L.	100.00%	A Coruña - Spain	31-jan	Logistics	-	-
Nueva comercializadora global XXI, S.A. DE C.V.	100.00%	Mexico City - Mexico	31-dec	Logistics	-	-
Corporación de Servicios XX1, S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Services	6	-
ITX Fashion Ltd	100.00%	Dublin - Ireland	31-jan	Dormant	-	-
Goa-Invest, S.A.	100.00%	A Coruña - Spain	31-jan	Construction	8	1
Goa-Invest Deutschland GMBH	100.00%	Hamburg - Germany	31-jan	Construction	11	-
Zara Vastgoed, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Real estate	117	-
ITX Global Solutions LIMITED	100.00%	Hong Kong SAR	31-jan	Services	13	-
SNC Zara France Immobiliere	100.00%	Paris - France	31-dec	Real estate	(6)	-
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	31-dec	Real estate	15	-
SCI Vastgoed France P03301	100.00%	Paris - France	31-dec	Real estate	61	-
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	31-dec	Real estate	12	-
SCI Vastgoed Nancy P03304	100.00%	Paris - France	31-dec	Real estate	10	-
Invercarpro, S.A.	100.00%	Madrid - Spain	31-jan	Real estate	3	-
Robustae Confecciones, S.A	100.00%	Lisbon - Portugal	31-jan	Retail sales	20	6
Lefties España, S.A.	100.00%	A Coruña - Spain	31-jan	Real estate	-	1
Born, S.A.	100.00%	Palma de Mallorca - Spain	31-jan	Real estate	-	-
LFT RUS Ltd	100.00%	Moscow - Russia	31-dec	Retail sales	-	-
Lelystad Platform, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Logistics	20	-
Robustae Mexico, S.A DE C.V.	100.00%	Mexico City - Mexico	31-dec	Retail sales	22	-
Inditex Cogeneración, A.I.E.	100.00%	A Coruña - Spain	31-jan	Combined heat and power plant	2	1
Inditex, S.A.	100.00%	A Coruña - Spain	31-jan	Dormant	-	-
Zara Holding II, B.V	100.00%	Amsterdam - Netherlands	31-jan	Holding company	704	-
Zara, S.A.	100.00%	A Coruña - Spain	31-jan	Dormant	-	-
Zara, S.A.	100.00%	Buenos Aires - Argentina	31-jan	Dormant	-	-
Fashion Logistic Forwarders, S.A.	100.00%	A Coruña - Spain	31-jan	Logistics	1	-
ITX Asia Pacific Enterprise Management, Co., Ltd	100.00%	Shanghai - China	31-dec	Buyer	114	-
FSF New York, LLC	100.00%	New York - USA	31-jan	Real estate	261	-
FSF Soho, LLC	100.00%	New York - USA	31-jan	Real estate	279	-
ITX USA, LLC	100.00%	New York - USA	31-jan	Retail sales	9	7
Fashion Retail , S.A.	100.00%	A Coruña - Spain	31-jan	Retail sales	-	-
ITXR Macedonaia Dooel Skopje	100.00%	Skopje - Macedonia	31-dec	Retail sales	6	-
ITX E-commerce (Shanghai) Co. Ltd	100.00%	Shanghai - China	31-dec	Retail sales	35	-
ITX Financien II, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Financial services	399	-
ITX TRYFIN B.V.	100.00%	Amsterdam - Netherlands	31-jan	Financial services	104	-
ITX RUBFIN, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Financial services	27	-
ITX Korea LIMITED	100.00%	Seoul - South Korea	31-jan	Retail sales	13	-
ITX Services India Private Ltd	100.00%	Gurgaon - India	31-mar	Buyer	3	-
Inditex France, S.A.R.L.	100.00%	Paris - France	31-jan	Dormant	-	-
ITX Merken, B.V.	100.00%	Amsterdam - Netherlands	31-jan	Services	4,261	-
Zara Home Österreich Clothing GMBH	100.00%	Vienna - Austria	31-jan	Retail sales	-	-
Massimo Dutti Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	31-jan	Retail sales	1	-
ITX LUXEMBOURG S.A.	100.00%	Luxembourg - Luxembourg	31-jan	Retail sales	2	-
Zara Vittorio 13 Italia, S.R.L.	100.00%	Milan - Italy	31-jan	Real estate	27	-
CDC Trading (Shanghai) Co. LTD.	100.00%	Shanghai - China	31-dec	Buyer	3	-
Oysho Sverige, AB	100.00%	Stockholm - Sweden	31-jan	Retail sales	-	-
Oysho Slovakia S.R.O.	100.00%	Bratislava - Slovakia	31-jan	Retail sales	-	-
Zara Home Retail South Africa (PTY) LTD.	100.00%	Johannesburg - South Africa	31-jan	Retail sales	1	-
FGI Gestión Mex, S.A. de C.V.	100.00%	Mexico City - Mexico	31-dec	Construction	5	-

List of Company investments in jointly controlled entities at 31 January 2019.

Company	Effective % of ownership	Location	Reporting date	Line of business	Shareholders' equity	Net investment
Tempe, S.A.	50.00%	Alicante - Spain	31-jan	Marketing of footwear	505	-
Tempe México, S.A. de C.V.	50.00%	Mexico City - Mexico	31-dec	Marketing of footwear	10	-
Tempe Logística, S.A.	50.00%	Alicante - Spain	31-jan	Logistics	-	-
Tempe Brasil, Ltda.	50.00%	Sao Paulo - Brazil	31-dec	Dormant	3	-
Tempe Diseño, S.L.	50.00%	Alicante - Spain	31-jan	Design	7	-
Tempe Trading	50.00%	Fribourg - Switzerland	31-oct	Dormant	5	-
Tempe Trading Asia Limited	50.00%	Hong Kong SAR	31-jan	Marketing of footwear	61	-
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai - China	31-dec	Marketing of footwear	19	-

Annex II

**Direct and indirect investments of the members of the Board of Directors
in the share capital of the Company at 31 January 2019**

Name or business name of the Director	% Voting rights attributed to the shares		% Voting rights through financial instruments		% Total voting rights
	Direct	Indirect	Direct	Indirect	
Mr Pablo Isla Álvarez de Tejera ¹	0.0620%	-	0.0070%	-	0.0690%
Mr Amancio Ortega Gaona ²	-	59.294%	-	-	59.294%
Mr José Arnau Sierra	0.001%	-	-	-	0.001%
Pontegadea Inversiones, S.L. ³	50.010%	-	-	-	50.010%
Bns Denise Patricia Kingsmill	-	-	-	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%
Mr Rodrigo Echenique Gordillo	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-
Total					59.364%

¹ In accordance with the 2016-2020 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 215,405 shares, i.e 0.007%

² Through Pontegadea Inversiones, S.L and Partler 2006, S.L.

³ Represented by Flora Pérez Marcote

This Annex forms an integral part of Note 11 of the accompanying Notes to the annual accounts, and must be read in conjunction with this.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2019

Company situation and business performance

Industria de Diseño Textil, S.A. (INDITEX) as parent of the INDITEX Group owns the shareholdings of the main companies of the Group and performs the activities of a holding company, whereby its results derive largely from dividends received from its subsidiaries. Likewise, the company provides different kinds of corporate services to its subsidiaries, both domestic and foreign, and supplies clothing and accessories of the Zara concept to subsequently be responsible for their distribution and sale to other Group companies engaged in retail marketing.

For a detailed analysis of the evolution of the Group's businesses, as well as the forecast for 2019, it is necessary to refer to the Consolidated Directors' Report of the Inditex Group.

Financial risk management policy

The Company's activities are exposed to various financial risks: market risk (including foreign currency risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's risk management focuses on the uncertainty of financial markets and aims to minimise the potential adverse effects on the Company's profitability, for which purpose it uses certain financial instruments described below.

Foreign currency risk

The Company operates in an international environment and, accordingly, is exposed to foreign currency on transactions in foreign currencies, in particular the US dollar. The foreign currency risk arises from future commercial transactions and from assets and liabilities recognised in currencies other than the euro.

The Company uses currency forwards to hedge the foreign currency risk. The Company manages the net position in each foreign currency by using external currency forwards or other financial instruments.

Credit risk

The Company is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises.

Liquidity and interest rate risk

The Company is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Company has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments.

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing interest at a floating rate. The Company's exposure to this risk is not significant.

Capital management

The Company's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

Significant events after the reporting period

In the opening weeks of 2019 the Company continued to conduct its business activities normally. No significant events occurred between 31 January 2019 and the date of authorisation for issue of the annual accounts.

R&D activities

INDITEX does not generally carry out research and development projects, which are defined as projects in which amounts are invested over several years in order to develop assets that are expected to generate a return over multi-year periods.

Since its inception, the conduct of the Company's operations has been underpinned by the application of the technology available in all areas of its activity in order to improve manufacturing and distribution processes, and by developing, either in-house or with the aid of third parties, tools to facilitate the management of the business. Some examples of this are point-of-sale terminals, inventory management systems, distribution centre delivery systems, systems for communication with stores and in-store garment labelling systems.

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Share-Based Incentive Plan and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan.

At 31 January 2019, the Company had 2,950,143 treasury shares representing 0.095% of the share capital.

Financial instruments

The Company arranges derivatives, mainly currency derivatives. The derivatives most frequently used by it are forward and option contracts.

Dividend policy

The Group's policy consists of a dividend payment equivalent to 60% of the net profit generated in the year, as an ordinary dividend, and the possibility of an extraordinary dividend.

The Board of Directors will propose to the General Shareholders' Meeting a dividend of EUR 0.88 per share, with an increase of 17.3% with regard to the dividend approved in 2017, which comprises an ordinary dividend of EUR 0.66 per share and an extraordinary dividend of EUR 0.22 per share.

In 2018, a total of EUR 2,335 million has been paid as dividends to shareholders.

Other disclosures

The Group's general payment policy complies with the periods for payment to trade suppliers set in the late payment legislation in force. The Group is currently implementing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual corporate governance report

The Annual Corporate Governance Report for 2018 will be sent to the CNMV (Spanish National Securities Market Commission) on 13 March 2019 and is available at www.inditex.com and will be published in the section on Relevant Event Communications of the CNMV website (www.cnmv.es).

Non-financial and diversity information

Information regarding the Statement of Non-Financial Information of the Company is included in the Consolidated Directors' Report of the Inditex Group whose parents is Industria de Diseño Textil, S.A. and which will be deposited, together with the Consolidated Annual Accounts, with the Mercantile Registry of A Coruña.

Issue of the Annual Accounts and Management Report for financial year 2018
(Sec. 253 Companies Act and Sec. 34 *et seq.* of the Commercial Code)

The Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 12 March 2019, to issue the Annual Accounts and the Management Report of Industria de Diseño Textil, S.A. for financial year 2018 (1 February 2018 – 31 January 2019), which consist of the documents preceding this page, all of the pages of which have been signed by the Secretary of the Board of Directors for identification purposes.

Mr Pablo Isla Álvarez de Tejera
Executive Chairman

Mr Amancio Ortega Gaona
Ordinary Member

Mr José Arnau Sierra
Deputy Chairman

Pontegadea Inversiones, S.L.
Ordinary Member
Ms Flora Pérez Marcote

Bns Denise Patricia Kingsmill
Ordinary Member

Ms Pilar López Álvarez
Ordinary Member

Mr José Luis Durán Schulz
Ordinary Member

Mr Rodrigo Echenique Gordillo
Ordinary Member

Mr Emilio Saracho Rodríguez de Torres
Ordinary Member

INDITEX

GROUP CONSOLIDATED ANNUAL ACCOUNTS

AS AT 31 JANUARY 2019

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 33). In the event of a discrepancy, the Spanish-language version prevails.

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Industria de Diseño Textil, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2018").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of inventories

Description	Procedures applied in the audit
<p>As indicated in Note 12 to the accompanying consolidated financial statements, the value of the Group's inventories at 2018 year-end was EUR 2,716 million, representing 12.5% of the Group's total assets. These inventories relate mainly to finished goods and are distributed among the various points of sale, distribution centres and other warehouses managed by the Group. Given the nature of the business of Inditex, thousands of stock-keeping units (SKUs) are designed and put on sale over the course of the year; these SKUs rotate based on the season and customer demand, generating, therefore, a high volume of changes in inventories.</p> <p>We considered this matter to be key in our audit, due to the importance of the judgements and assumptions applied by the Group to determine the cost and recoverable amount of each SKU and the complexity of the logistics activities carried on by the Group in order to manage its products, which gives rise to numerous SKU movements between various different locations.</p>	<p>In response to this key matter, our audit included, among others, the following procedures:</p> <ul style="list-style-type: none"> - An assessment of the consistency of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2019 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year. - An assessment of the design, implementation and operating effectiveness of the key controls in place in the inventory management and measurement process, with the involvement of our IT experts in performing the tests on automatic controls applied to the relevant software involved in the process. - For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the cost of acquiring them from suppliers and considering the costs directly attributable to such goods. - An assessment of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and actual historical and other information, such as sales and returns after the reporting date. - An assessment of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. <p>The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the assessment of the key controls in place in the measurement process and to the disclosures included in the notes to the consolidated financial statements and the results of the performance of specific substantive tests were satisfactory.</p>

Impairment of non-current assets (stores)

Description	Procedures applied in the audit
<p>As indicated in Note 13 to the accompanying consolidated financial statements, at 31 January 2019 the Group's property, plant and equipment amounted to EUR 8,339 million and related mainly to investments made in the stores operated by the Group and to the value of the investments in corporate non-current assets (logistics centres, offices, etc.).</p> <p>Under EU-IFRSs, the Group must perform an impairment test on its portfolio of stores when there are indications of potential impairment or reversals thereof.</p> <p>The definition of indications that the stores' non-current assets may have suffered impairment and the performance of an impairment test thereon were identified as key matters in our audit, since management's assessment of possible impairment is a complex process that includes a significant level of estimates, judgements and assumptions.</p> <p>The main assumptions used by the Group were as follows:</p> <ul style="list-style-type: none"> - the income and expense growth rates by country and cash-generating unit; - the specific discount rates used in each country; and - the estimated terms of the leases of the stores operated under leases. 	<p>In response to this key matter, our audit included, among others, the following procedures:</p> <ul style="list-style-type: none"> - An assessment of whether the methodology established by Group management to identify indications of impairment and the quantification thereof for each cash-generating unit are appropriate, checking their consistency with the applicable financial reporting framework. - An assessment of the design, implementation and operating effectiveness of the relevant controls implemented by the Group to ensure the accuracy of the estimation of impairment and the completeness of its recognition for accounting purposes. - The involvement in the audit team of valuation experts to evaluate the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various geographical areas. - An analysis of the consistency and reasonableness of the assumptions used by Group management in the impairment tests, including, inter alia, a detailed review of the sensitivity tests in which management stresses those assumptions considered key. - A review of the achievement in 2018 of the most significant assumptions used by management in the previous year's impairment tests. - Based on a representative sample of cash-generating units, a review of the correctness and accuracy of the calculations performed to determine the recoverable amount of the aforementioned cash-generating units. - An assessment of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. <p>The results of the procedures performed in relation to the analysis of the methodology, criteria and assumptions applied by the Group, to the assessment of the key controls in place in the process for calculating and recognising the impairment of stores and the disclosures included in the notes to the consolidated financial statements and the results of the performance of specific substantive tests on the calculations made were satisfactory.</p>

IT systems	
Description	Procedures applied in the audit
<p>The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof.</p> <p>In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing.</p> <p>Due to their importance and the audit effort required, knowledge, evaluation and validation of the general financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit.</p>	<p>In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved:</p> <ul style="list-style-type: none"> - Identification of relevant IT elements and applications in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and assessment of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT applications. - An assessment of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An assessment of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, inventories, accounting closing and consolidation. - A review of the cybersecurity risk management model for the main IT systems with an impact on financial information in the e-commerce environment. <p>The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the accompanying consolidated financial statements.</p>

Other Information: Consolidated Directors' Report

The *Other Information* comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

- a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 12 March 2019.

Engagement Period

The Parent's Annual General Meeting held on 17 July 2018 appointed us as auditors for a period of one year from the year ended 31 January 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 January 2013.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Germán de la Fuente
Registered in ROAC under no. 15.976

12 March 2019

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES**CONSOLIDATED INCOME STATEMENT**

(Amounts in millions of euros)	(Notes)	2018	2017
Net sales	(3)	26,145	25,336
Cost of sales	(4)	(11,329)	(11,076)
GROSS PROFIT		14,816	14,260
		56.7%	56.3%
Operating expenses	(5)	(9,329)	(8,944)
Other losses and income, net	(6)	(30)	(38)
GROSS OPERATING PROFIT (EBITDA)		5,457	5,277
Amortisation and depreciation	(7)	(1,100)	(963)
NET OPERATING PROFIT (EBIT)		4,357	4,314
Financial results	(8)	17	(5)
Results of companies accounted for using the equity method	(16)	54	42
PROFIT BEFORE TAXES		4,428	4,351
Income tax	(23)	(980)	(979)
NET PROFIT		3,448	3,372
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		4	5
NET PROFIT ATTRIBUTABLE TO THE PARENT		3,444	3,368
EARNINGS PER SHARE, euros	(9)	1.106	1.082

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in millions of euros)	(Notes)	2018	2017
Net profit		3,448	3,372
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		21	(395)
Cash flow hedges			
Profit	(25)	3	6
Loss	(25)	(11)	(31)
Tax effect		4	(2)
TOTAL		17	(423)
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(6)	(17)
Loss	(25)	31	-
Tax effect		(2)	4
TOTAL		24	(13)
Total comprehensive income for the year		3,489	2,936
Total comprehensive income attributable to:			
Equity holders of the Parent		3,485	2,931
Non-controlling interests		4	5
Total comprehensive income for the year		3,489	2,936

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

(Amounts in millions of euros)	(Notes)	31/01/2019	31/01/2018
ASSETS			
NON-CURRENT ASSETS		11,064	10,084
Rights over leased assets	(14)	464	457
Other intangible assets	(14)	346	255
Goodwill	(15)	206	207
Property, plant and equipment	(13)	8,339	7,644
Investment property		20	21
Financial investments	(16)	267	237
Other non-current assets	(17)	564	520
Deferred tax assets	(23)	858	744
CURRENT ASSETS		10,620	10,147
Inventories	(12)	2,716	2,685
Trade and other receivables	(11)	820	778
Income tax receivable	(23)	108	110
Other current assets		162	160
Other financial assets	(25)	20	12
Current financial investments	(19)	1,929	1,472
Cash and cash equivalents	(19)	4,866	4,931
TOTAL ASSETS		21,684	20,231
EQUITY AND LIABILITIES			
EQUITY		14,682	13,522
Equity attributable to the Parent		14,653	13,497
Equity attributable to non-controlling interests		30	25
NON-CURRENT LIABILITIES		1,618	1,536
Provisions	(20)	229	259
Other non-current liabilities	(21)	1,072	1,005
Financial debt	(19)	5	4
Deferred tax liabilities	(23)	312	268
CURRENT LIABILITIES		5,383	5,173
Financial debt	(19)	84	12
Other financial liabilities	(25)	47	105
Income tax payable	(23)	153	151
Trade and other payables	(18)	5,099	4,906
TOTAL EQUITY AND LIABILITIES		21,684	20,231

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in millions of euros)	(Notes)	2018	2017
Profit before taxes and non-controlling interest		4,428	4,351
Adjustments to profit			
Amortisation and depreciation	(7)	1,100	963
Foreign exchange translation differences		(33)	(75)
Provisions for impairment		20	91
Results from companies consolidated by equity method	(16)	(54)	(42)
Other		(14)	151
Income tax		(1,070)	(1,029)
Funds from operations		4,378	4,411
Variation in assets and liabilities			
Inventories		(70)	(293)
Receivables and other current assets		(142)	216
Current payables		(137)	(372)
Changes in working capital		(349)	(449)
Cash flows from operating activities		4,029	3,961
Payments relating to investments in intangible assets		(230)	(183)
Payments relating to investments in property, plant and equipment		(1,391)	(1,589)
Collections relating to divestments of property, plant and equipment		159	381
Payments relating to investments in companies		-	(30)
Collections relating investment in other financial investments		24	44
Payments relating investment in other financial investments		-	(24)
Payments relating investment in other assets	(17)	(23)	(25)
Collections relating investment in other assets	(17)	43	29
Changes in current financial investments		(457)	565
Cash flows from investing activities		(1,875)	(833)
Collections relating to non-current financial debt		4	3
Payments relating to non-current financial debt		(2)	(3)
Payments relating to acquisitions of treasury shares		-	(12)
Changes in current financial debt		73	(47)
Dividends		(2,335)	(2,127)
Cash flows used in financing activities		(2,260)	(2,186)
Net increase in cash and cash equivalents		(106)	943
Cash and cash equivalents at the beginning of the year	(19)	4,931	4,116
Effect of exchange rate fluctuations on cash and cash equivalents		41	(128)
Cash and cash equivalents at the end of the year	(19)	4,866	4,931

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****(Amounts in millions of euros)**

Equity attributable to the Parent

	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
Balance at 1 February 2017	94	20	12,675	76	161	(87)	(240)	15	12,713	38	12,752
Profit for the year	-	-	3,368	-	-	-	-	-	3,368	5	3,372
Distribute results	-	-	(48)	-	48	-	-	-	-	-	-
Distribute dividends	-	-	23	-	(23)	-	-	-	-	-	-
Transfers	-	-	(102)	-	-	-	102	-	-	-	-
Other movements	-	-	(19)	-	(2)	-	-	-	(21)	(2)	(23)
Other comprehensive income for the year	-	-	-	-	-	-	(395)	(41)	(436)	-	(436)
· Translation differences related to foreign operations	-	-	-	-	-	-	(395)	-	(395)	-	(395)
· Cash flow hedges	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Operations with equity holders or owners	-	-	(2,151)	14	-	10	-	-	(2,128)	(15)	(2,143)
· Treasury shares	-	-	-	-	-	(12)	-	-	(12)	-	(12)
· Share-based collections	-	-	-	32	-	-	-	-	32	-	32
· Share-based payments	-	-	(20)	(19)	-	22	-	-	(17)	-	(17)
· Acquisition of minority interest	-	-	(14)	-	-	-	-	-	(14)	(5)	(19)
· Dividends	-	-	(2,117)	-	-	-	-	-	(2,117)	(10)	(2,127)
Balance at 31 January 2018	94	20	13,747	90	183	(77)	(533)	(26)	13,497	25	13,523
Balance at 1 February 2018	94	20	13,747	90	183	(77)	(533)	(26)	13,497	25	13,523
Profit for the year	-	-	3,444	-	-	-	-	-	3,444	4	3,448
Distribute results	-	-	(42)	-	42	-	-	-	-	-	-
Distribute dividends	-	-	20	-	(20)	-	-	-	-	-	-
Transfers	-	-	(98)	-	-	-	98	-	-	-	-
Other movements	-	-	(27)	-	-	-	-	-	(26)	-	(26)
Argentina reexpresion	-	-	10	-	-	-	(5)	-	5	-	5
Other comprehensive income for the year	-	-	-	-	-	-	21	20	41	-	41
· Translation differences related to foreign operations	-	-	-	-	-	-	21	-	21	-	21
· Cash flow hedges	-	-	-	-	-	-	-	20	20	-	20
Operations with equity holders or owners	-	-	(2,335)	27	-	-	-	-	(2,308)	-	(2,308)
· Treasury shares	-	-	-	-	-	-	-	-	-	-	-
· Share-based Collections	-	-	-	27	-	-	-	-	27	-	27
· Share-based payments	-	-	-	-	-	-	-	-	-	-	-
· Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-
· Dividends	-	-	(2,335)	-	-	-	-	-	(2,335)	-	(2,335)
Balance at 31 January 2019	94	20	14,719	117	206	(77)	(420)	(6)	14,653	30	14,683

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see below and Note 33). In the event of a discrepancy, the Spanish-language version prevails.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AS AT 31 JANUARY 2019

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A. ("Inditex", "the Group", "the Group Inditex", "the Company" or "the Parent") for 2018 were prepared by the Board of Directors on 12 March 2019 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2017 were approved by the shareholders at the Annual General Meeting held on 17 July 2018.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations (IFRIC and SIC) adopted by the European Union (EU-IFRS) and with the other provisions of the applicable regulatory financial reporting framework.

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 twelve-month period ended 31 January 2018 will hereinafter be referred to as "2017", the twelve-month period ended 31 January 2019 as "2018", and so on.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in millions of euros.

The separate annual accounts of the Parent (Inditex) for 2018 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2019, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2018 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

The Group uses certain performance measures additional to those defined in IFRS, since these measures include information that is essential to assess the evolution of the Group.

In the consolidated income statement, gross profit, EBITDA and EBIT are defined as follows:

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.
- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and amortisation, calculated as the gross profit less operating expenses and other losses and income, net.
- Operating income (EBIT): earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortisation.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as EBIT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non-current assets, excluding the deferred tax assets, of the concept.
- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.
- Working capital: defined as inventories plus receivables minus current payables in the Balance Sheet.
- Net financial position: defined as cash and equivalents and current financial investments less current and non-current financial debt, with explicit interest.
- Store operating profit: income generated by sales as well as all expenses directly attributable and necessary to generate said income.
- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut-off.

In preparing the consolidated annual accounts as at 31 January 2019 estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The determination of inventory costs.
- The useful life of the property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of pension and other obligations to employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The term of leases.
- The amount of the future minimum non-cancellable operating lease payments.
- The recovery of deferred tax assets.

These estimates were made using the best information available at 31 January 2019 and 2018. 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.

In preparing these consolidated annual accounts the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

The basis of consolidation and accounting policies applied are disclosed in Note 2.

1 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 activity consists on offering the latest fashion trends (clothing, footwear, accessories and household textile products) at attractive prices, in due time and with high quality and sustainability standards.

Inditex carries out its activity through various retail concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home 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 countries where, for various reasons, the activity is performed through franchises.

Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The Group holds joint ownership interests in the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

The Group does not have any other significant non-controlling interests.

In order to be able to offer the latest fashion trends at the right moment and with the required quality, Inditex has implemented a flexible and integrated business model, customer oriented and with a strong sustainable approach. This model is the basis for tackling the challenges of the business environment. The strong competitiveness existing in the sector, driven by new technologies and disruptive innovation defines an environment where consumers' profile is ever changing. Additionally, geopolitical, demographic, social and economic changes that trigger the country risk in procurement or distribution countries or the consumption decline in certain markets, as well as abrupt changes in climate cycles likely to affect demand patterns are, inter alia, factors which might have an impact on the effective achievement of the business objectives of the Group.

The expansion policy, the multi-brand format of the Group and the commitment to the full integration of all channels and the use of new technologies as an alternative of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to business environment risks.

The quickness of the product's useful lifecycle, from the design to the sale, would not be possible without the integration and flexibility that characterize all the phases of the value chain: design, production, logistics, stores, online and clients.

Design and buyers' teams are customer oriented. Stores and online teams are permanently in touch with the team of designers through the Product Management Department, and this allows perceiving the changes of taste of the customers.

The manufacturing and supply have been designed with a mixed model that allows to adapt the production to the market pull. During the 2018 fiscal year, 57% of the factories in which the Company has manufactured its items are in geographical proximity (countries such as Spain, Portugal, Morocco and Turkey) and the remaining 43% are long distance. In this way, Inditex maintains the ability to adapt the internal or supplier production to the change of trends in each commercial campaign.

The Group's logistics system allows continuous deliveries to stores and online throughout the season, from the logistic centres of each of the retail concepts. This system essentially operates through centralized logistics centres for each of the concepts, from which the stock is distributed to all the stores and online worldwide.

The people who populate our Company enable the sustained and sustainable development of this model, a diverse group of professionals of 154 different nationalities, characterized by their creative talent, their passion for fashion, teamwork, entrepreneurial spirit, permanent innovation and responsible efforts.

The goal of the Group is to offer fashionable products that meet with the most demanding sustainability, health and safety standards. All on the basis of respect and promoting human rights, transparency and ongoing dialogue with our stakeholders.

At 31 January 2019, the various Group concepts had stores in operation with the following geographical distribution:

	Number of stores		
	Company Managed	Franchises	Total
Spain	1,593	42	1,635
Rest of Europe	3,233	145	3,378
Americas	660	184	844
Rest of the World	926	707	1,633
Total	6,412	1,078	7,490

At 31 January 2018, the geographical distribution of stores was as follows:

	Number of stores		
	Company Managed	Franchises	Total
Spain	1,647	41	1,688
Rest of Europe	3,216	140	3,356
Americas	625	180	805
Rest of the World	932	694	1,626
Total	6,420	1,055	7,475

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 24.

2 Selected accounting policies

2.1 Basis of consolidation

i) Subsidiaries

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Annex I.

For business combinations any excess of the consideration transferred plus the value assigned to non-controlling interests over the net amounts of the assets acquired and the liabilities assumed is recognised as goodwill.

Any deficiency of the amount of the consideration transferred plus the value assigned to non-controlling interests below the identifiable net assets acquired is recognised in profit or loss.

Acquisitions of equity interests in businesses subsequent to obtaining control and partial disposals that do not result in a loss of control are recognised as transactions with shareholders in equity.

The non-controlling interests shown in the consolidated statement of changes in equity relate to non-controlling interests in subsidiaries, and they are presented in consolidated equity separately from the equity attributable to shareholders of the Parent.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

The share of non-controlling interests of the equity and profit or loss of the subsidiaries is presented under "Equity Attributable to Non-Controlling Interests" and "Net Profit Attributable to Non-Controlling Interests", respectively.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangement. As indicated in Note 1, on the basis of the analysis performed of the contractual arrangements, the Group classified these interests as joint ventures. Pursuant to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated annual accounts.

iii) Harmonization of criteria

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding accounting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Inditex Group in preparing its consolidated annual accounts, they are adjusted in order to present the consolidated annual accounts using uniform accounting policies.

iv) Intra-Group eliminations

All intra-Group receivables, payables and transactions, and any intra-Group gains or losses not yet realised vis-à-vis third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies

The annual accounts of companies with a functional currency other than the euro, except in the case of hyperinflationary countries, have been translated as follows:

- Assets and liabilities are translated to euros at the exchange rates applicable at the balance sheet date.
- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).
- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognised, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

The differences arising from the application of these exchange rates are included in consolidated equity under "Translation Differences".

However, exchange differences arising from trade balances payable and receivable and financing transactions between Group companies, with foreseeable settlement, are recognised in profit or loss for the year.

vi) Annual accounts in hyperinflationary economies

Since 1 August 2018 Argentina has been considered a hyperinflationary economy. Consequently, the Group's financial statements of Argentine subsidiaries (see Annex I) have been integrated into the consolidated financial statements by making the hyperinflation adjustments provided for in IAS 29 in order to reflect changes in the overall purchasing power of the Argentine currency, that is, the financial statements that were at historical values have been restated to current values, applying the corresponding general price index and converted to the Group's functional currency, considering the closing exchange rate between the euro and the Argentine peso.

General price indexes of general acceptance in Argentina have been used to restate the financial statements at current values. Specifically, the Wholesale Price Index for the balances prior to 2017 (IPM) and the Consumer Price Index (CPI) for the balances from 2017 onwards have been used.

In relation to the conversion to functional currency, a closing exchange rate of 42.82 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018 without restating the comparative information of previous periods.

Hyperinflation adjustment has resulted in an impact of -5.3 million euros in the Net Income attributed to the parent.

There are no other companies in the consolidation perimeter of the Group, with the exception of Argentina, which have been considered hyperinflationary economies.

vii) Companies with a reporting date that differs from that of the Group

Companies with a reporting date that differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting dates (see Annex I). Temporary adjustments are made to reflect the effect of significant transactions occurring between the reporting date of these subsidiaries and that of the consolidated annual accounts.

viii) Changes in the scope of consolidation

Annex I details all the companies in the consolidation perimeter. During fiscal year 2018, there were no significant changes in the perimeter.

2.2 Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2018

During fiscal year 2018, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2018:

IFRS 15 - Income from contracts with customers.

IFRS 15 is the comprehensive standard for the recognition of income with customers and establishes an income recognition approach based on the transfer of control, for which it defines a 5-step model:

- Step 1: identify the contract or contracts with customers
- Step 2: Identify the obligations of such contracts
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the obligations in the contract
- Step 5: Recognise income as the entity meets each of the obligations

The Group has applied the standard retroactively, without restating comparative information, as of 1 February 2018.

The Group's revenues come from almost all retail sales through its own stores and online stores and sales to franchises (Note 3). The obligations contracted in these activities correspond, fundamentally, to the delivery of certain goods to customers. These obligations are separate from each other, that is, there are no contracts where the performance obligations are related to each other. Therefore, the price assigned to each of the obligations matches its independent selling price. On the other hand, in practically all of the Group's income transactions, the obligations are met in a single moment (when the goods are delivered to the customer), so there are no obligations that are satisfied over time. For all of the above, the Group's pattern of recognition of income under the IFRS 15 does not differ significantly from the income pattern under the IAS 18, and the effect in the consolidated financial statements derived from the application of the IFRS 15 is not relevant.

On the other hand, the Group has not recognised assets or liabilities derived from contracts with customers for the application of IFRS 15.

IFRS 9 – Financial Instruments.

IFRS 9 replaces IAS 39 as of 1 January 2018, with respect to which there are very significant differences concerning the classification and measurement of financial instruments, the impairment model of financial assets and in hedge accounting. In this sense, it has introduced changes in the following aspects:

- **Classification and measurement of financial instruments:** In relation to financial assets (see Note 19), the Group's Investment Policy defines that the general objective of the Group's business model in relation to financial assets is the preservation of the principal through the mitigation of the risk of loss of the invested capital derived from any type of risk. Therefore, the Group's business model aims to collect the contractual cash flows of financial assets that are exclusively the principal and interest. Consequently, with IFRS 9, the Group's financial assets within the scope of this standard are classified as valued at their amortized cost, with the exception of sureties, which are valued at their fair value. In relation to financial liabilities, the bases adopted with IAS 39 continue to be measured on the same basis.

Therefore, the application of IFRS 9 has not had a significant impact on the measurement of financial assets and liabilities.

The Group has not renegotiated its financial liabilities; therefore this aspect of IFRS 9 has no impact on the consolidated financial statements.

- **Impairment:** The measurement of impairment of financial assets at amortized cost with IFRS 9 is based on the expected loss. To this end, the Group has defined a model to periodically evaluate, first, whether there have been significant changes in the credit risk of the counterparties of the financial assets for, subsequently, provided that the credit risk is low or has not increased, determine the expected loss at 12 months.

At the date of preparation of these financial statements for the financial assets that are within the scope of this expected loss model, the Group Management considers that the credit risk is low at the date of the evaluation or it has not increased significantly since the date of initial recognition, therefore, credit losses expected at 12 months have been recognised.

As a result of applying this methodology, the impairment amount for estimated loss of financial assets measured at amortized cost is not significant or differs significantly from the amount that would have been recognised if the impairment loss model incurred established in IAS 39 had been applied.

- **Hedge accounting:** The application of the new requirements for hedge accounting has had no effect on the consolidated financial statements of 2018 as the Group has not defined new hedge relationships that were not possible under IAS 39, and hedge ratios defined under IAS 39 continue to meet the requirements for hedge accounting.

The Group applies IFRS 9 as of 1 February 2018 without restating the comparative figures.

Other approved amendments applied as of 1 January 2018

- Amendment to IFRS 2- Classification and valuation of share-based payments, which introduces limited modifications to the clarification of specific issues such as the effects of accrual conditions on payments based on shares to be settled in cash, the classification of share-based payments when it has liquidation clauses for the net and some aspects of the amendments of the share-based payment type.
- Amendment to IFRS 4 - Insurance contracts, which allows entities under the scope of IFRS 4, the option to apply IFRS 9 with certain exceptions or its temporary exemption.
- Amendment to IAS 40 - Real Estate Investment Reclassification, which clarifies that a reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use.
- Improvements to the IFRS Cycle 2014 - 2016 - Introduces minor amendments of a series of standards.
- IFRIC 22 - Transactions and advances in foreign currency - Establishes the date of transaction for the purpose of determining the exchange rate applicable in transactions with advances in foreign currency.

The application of the amendments and/or interpretations, with the exception of IFRS 15 and IFRS 9, have not had an impact on the consolidated annual accounts of the Group for the year 2018.

Standards issued and approved for application in the European Union as of 1 January 2019

IFRS 16, Leases

The IFRS 16 "Leases", replaces the IAS 17 as well as all related interpretations. The IFRS 16 will become effective for the Group as of 1 February 2019.

The IFRS 16 establishes the principles to recognise, measure, present and disclose leases. Under the IFRS 16, lessees must record all leases under a single model similar to the accounting of financial leases in the IAS 17. Lessees will recognise a liability for the net present value of the lease payments and an asset for the right-of-use of the underlying asset during the lease term. Likewise, the nature of the expenses related to said leases will change, since the IFRS 16 replaces the straight-line expenses of operating leases for expenses derived from the depreciation of the recognised asset and an interest expense associated with the liability.

The lessee may choose not to apply the general criteria of the IFRS 16 to short-term leases and leases whose underlying assets are considered to be of low value. The Group will only apply the exemption for leases whose underlying asset is considered to be of low value.

The application of the IFRS 16 requires significant judgments regarding certain key estimates, such as the determination of the lease term and the discount rate.

To determine the lease term, it must be assessed if the lessee has reasonable certainty that he will exercise the option to extend a lease, or that he will not exercise the option to terminate the lease. The Group will determine the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is a reasonable certainty of execution, for which the following aspects are considered:

- The costs related to contract termination,

- The importance of the leased asset for the Group's operations,
- The conditions that need to be met so that options may or not be exercised,
- Historical experience and business plans approved by the Group's management.

The present value of the leased liability is determined using the interest rate implicit in the lease, and if this cannot be easily determined, the lessee will use its incremental borrowing rate. Given the difficulty to determine the implicit interest rate of each lease, the Group will use its incremental borrowing rate by country, term and currency. The weighted average according to the rent of each contract by geographical area is the following:

Spain	0.87%
Rest of Europe	1.36%
Americas	4.30 %
Asia and Rest of the world	3.63%

On the other hand, the IFRS 16 allows its application through two different transition methods, a retrospective approach for each comparative period presented or, a retrospective approach with the cumulative effect of the initial application of the standard, recognised as an adjustment to reserves at the date of initial application. The Group has decided to adopt this second transition method, therefore, it will recognise the cumulative effect of the initial application as an adjustment against reserves as of 1 February 2019, and will not restate comparative information.

This transition method allows, in turn, to choose to value the asset retroactively as if the standard had applied since the beginning of the lease or for an amount equal to the liabilities adjusted for prepaid or accrued payments.

In addition, the Group will apply some of the simplifications associated with the transition method adopted. The most relevant are:

- the exclusion of the initial direct costs of the measurement of the right-of-use asset on the date of transition;
- the application of a single discount rate for each portfolio of similar leases, by country, term and currency;
- the determination of the lease term using information known at transition date;
- the non-revision of the value impairment on the date of the transition.

Most of the Group's stores are located in leased premises that have been rented under operating leases (Note 1). Both these commitments and other agreements entered into by the Group meet the definition of leases as per the IFRS 16 and require the recognition of an asset for right-of-use and the corresponding liability. From the analysis carried out to date, the Group estimates that on the 1 of February 2019, it will recognise a lease liability for an amount between 6,500 and 6,900 million euros and a right-of-use for an amount between 5,500 and 5,900 million euros, with an impact on equity for an amount between 550 and 750 million euros.

The Group carries out very active management of its lease agreements, which entails a high volume of additions, cancellations and contractual modifications. Therefore, the impact that IFRS 16 will have on the results of the Group for the financial year 2019 cannot be reliably determined. Under current estimates it will result in an increase in FY2019 net income of 2%-4% over former IAS 17.

Note 24 discloses operating lease expenses for the year 2018 between minimum lease payments, which include fixed rent, common expenses and other expenses related with leases; and

contingent rents. Common expenses, other expenses related with leases and contingent rents will not be part of the determination of the lease liability and the right-of-use and will maintain the same accounting criteria as under the IAS 17. Fixed rent payments will be replaced by the depreciation of the right-of-use and the interest recognised on the lease liability.

The current standard (IAS 17) does not require the recognition of an asset or liability for right-of-use for future payments for operating leases; however, it does require disclosure of lease commitments. The difference between this information on lease commitments (IAS 17) and the lease liability (IFRS 16) to be recognised, is based on the different periods considered, non-cancellable period versus the lease term determined according to the IFRS 16, since the commitments disclosed in Note 24 correspond to nominal amounts of the expected payments while the lease liability of the IFRS 16 is determined by applying a discount rate to scheduled payments. Thus, the minimum lease payments amounting to 4,954 million euros at 31st January 2019 will be reduced by 325 million euros for the effect of the financial discount and will be increased by an amount between 1,900 and 2,300 million euros mainly by incorporating the periods to be reasonably certain additional to the period of mandatory compliance.

The Group is in a very advanced stage of the implementation project of the new accounting criteria, however, the impacts as of the 1st of February 2019 could be slightly different due to the required estimates, the high number of contracts affected, and that the Group is in the process of testing new IT systems. The new accounting policies will not be final until the Group presents the first financial statements after the date of entry into force of the IFRS 16.

Other standards and amendments approved for use in the European Union

- CNIIF 23 - Uncertainty about tax treatments. This interpretation clarifies how to apply the registration and valuation criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity. Mandatory in the years beginning on 1 January 2019.
- Amendments to IFRS 9 - Financial instruments. Characteristics of early repayment with negative offset. Mandatory in the years beginning on 1 January 2019.
- Amendment to IAS 28 - Long-term Investments in associates and joint ventures that clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture if the equity method is not applied. Mandatory in the years beginning on 1 January 2019.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory in the European Union.

Standards issued but not yet approved for use in the European Union

At the date of preparation of these consolidated annual accounts, the following standards and/or amendments to the standards with potential impact for the Group had been issued by the IASB but were pending approval for their use in the European Union.

- IFRS 17 - Insurance contracts. Replaces IFRS 4, incorporating the principles of registration, valuation, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows the users of the information to determine the effect that the contracts have on the Financial statements. The date of first application is being reviewed by the IASB at the date of formulation of these accounts, although it is currently mandatory in the years beginning on 1 January 2021.
- Improvements to the IFRS 2015-2017 Cycle, which introduces minor amendments of a series of standards. Mandatory application as of 1 January 2019.

- Amendment to IAS 19 - Amendment, reduction or liquidation of a plan. In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses to determine the cost of services and net interest for the period after the change of plan. Mandatory in the years beginning on 1 January 2019.
- Amendment to IFRS 3 - Business definition, which includes clarifications to the business definition. Mandatory in the years beginning on 1 January 2020.
- Amendment to IAS 1 and IAS 8 - Definition of materiality, to align the definition with that contained in the conceptual framework. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory in the European Union.

a) Translation of foreign currency balances and transactions

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction (except in the case of hyperinflationary countries). Monetary assets and liabilities denominated in foreign currencies are translated to euros at the end of the reporting period using the closing rate. Exchange differences arising on translating these items at those exchange rates are recognised in the income statement for the year as financial result.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates at the date of the cash flow. The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Exchange Rate Changes on Cash and Cash Equivalents".

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the assets are ready for their intended use, less accumulated depreciation and any impairment losses or write-downs that have to be recognised (see Note 2.2.g).

Depreciation is taken on a straight-line basis over the estimated useful lives of the assets.

The estimated average useful lives are as follows:

Asset description	Useful life (years)
Buildings	25 to 50
Fixtures, furniture and machinery (*)	8 to 20
Other property, plant and equipment	4 to 13

(*) In the case of assets located in leased premises, the depreciation rate is adapted to the term of the lease if this is shorter than the useful lives of the assets.

The Group reviews useful lives of its property, plant and equipment at each financial year-end. Any change in the initially established estimates is accounted for as a change in an accounting estimate.

After initial recognition of an asset, only those costs that it is probable will give rise to future economic benefits and that can be measured reliably are capitalized.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred.

c) Rights over leased assets

These rights, known as leasehold assignment rights, access premiums or tenancy right waivers, relate to the amounts paid for lease rights over premises for access to commercial premises, in which the acquirer and the new lessee are subrogated to the rights and obligations of the transferor and former lessee under the previous lease.

Since these rights arose as a result of an acquisition for consideration, they were recognised as assets in the accompanying consolidated balance sheet.

These assets are recognised initially at acquisition cost and are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. They are amortised on a straight-line basis over the term of the lease, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

In order to assess the possible existence of impairment of these assets, the Group uses the procedures described in Note 2.2.g, "Impairment of non-current assets".

d) Other intangible assets

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.
- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.
- Industrial designs: these items are reflected at their production cost, which includes the cost of samples, staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews the residual values and useful lives of its intangible assets at each reporting date. Any change in the initially established estimates would be accounted for as a change in an accounting estimate.

e) Financial investments

Investments in companies over which the Group does not exercise significant influence are stated at cost net of any impairment losses that have to be recognised.

f) Investment property

Investment property consists of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment losses that have to be recognised (see Note 2.2.g). Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets.

g) Impairment of non-current assets

The Group periodically assesses whether there are any indications that its non-current assets, including goodwill and intangible assets with indefinite useful lives, might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year or more frequently if there are indications of impairment.

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill and intangible assets with an indefinite useful life

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country). The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

For those cash-generating units (CGUs) that are scheduled to be closed, an impairment loss is recognised using the same methodology.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at retail concept-country level, or even at the level of all the companies located in a given country or all the companies corresponding to a given concept (concept level). Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature. In this case, the aforementioned indicator of impairment is applied at a higher aggregation level (retail concept-country, country or concept) and if it is necessary to calculate the impairment, all the cash flows generated at that aggregation level must be capable of ensuring the recovery of all the assets associated therewith.

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed

the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets (or similar instruments, if no 10-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

The average discount rate, resulting from those applied by the Group in the various markets, used for the purpose of calculating the present value of the estimated cash flows was as follows:

	2018 Average	2017 Average
Spain	5.31%	5.45%
Rest of Europe	6.40%	6.23%
Americas	10.20%	8.49%
Asia and rest of the world	6.76%	6.98%

The results obtained from the 2018 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Note 13 and Note 14 to the consolidated annual accounts relating to property, plant and equipment and rights over leased assets and other intangible assets.

The related charge for the period amounting to EUR 53 million (see Notes 7, 13 and 14) is due primarily to the impairment corresponding to the closures scheduled for 2019.

Impairment losses reversed in the period amounting to EUR 54 million (see Notes 7, 13 and 14) correspond to those CGUs for which impairment had been recognised in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior years are fully or partially reversed.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to EUR 1 million and EUR 2 million, respectively (EUR 2 million and EUR 2 million, respectively, in 2017).

Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash-generating units aggregated at concept-country level, for the purpose of performing the related impairment tests. This aggregation is made on the basis of:

- The degree of independence of the cash flows in each case.
- How the Group monitors the economic performance of its operations, and the model with which its operations are conducted.
- The degree to which the CGUs are subject to the same macroeconomic circumstances.
- The level with which the goodwill would be naturally associated on the basis of the business model.

In any case, this aggregation is never larger than an operating segment, as defined in IFRS 8.

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an

acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2018 and 2017 did not give rise to the recognition of any impairment loss on goodwill.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- Use of a perpetuity growth rate of 0%.
- 5% reduction in future cash flows.

These sensitivity analyses performed for each of the above hypotheses independently, would not imply any additional impairment in 2018 (they would imply an additional impairment of 7, 4 and 0 million euros, respectively, in 2017).

Impairment of intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are assigned to each of the commercial premises where the Group carries on its business activity (stores) and are included in the calculation of the impairment of non-current assets, as explained above.

Reversals of impairment losses

Reversals of impairment losses on non-current assets are recognised with a credit to "Depreciation and Amortisation Charge" in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortisation, had the impairment loss never been recognised, solely in those cases in which, once the internal and external factors have been assessed, it can be concluded that the indications of impairment that led to the recognition of the impairment losses have ceased to exist or have been partially reduced.

The reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets and taking into account the limit for the reversal referred to in the preceding paragraph.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

h) Trade and other receivables

Receivables are initially recognised at fair value and subsequently at their amortized cost in accordance with the effective interest rate method, less the provision for losses through impairment.

A provision for impairment losses of trade receivables is established when the requirements set out in section m) Financial instruments are complied with. The amount of the provision is recognised in the income statement.

i) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

The costs of conversion comprise the costs directly related to the units of production and a systematically calculated portion of indirect, variable and fixed costs incurred during the conversion process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

The cost of inventories is adjusted through "Cost of Sales" in the consolidated income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.
- Finished goods for sale: estimated selling price in the normal course of business.
- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, on initial investment. Investments which mature in less than three months from the acquisition date are also included.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities relating to bank borrowings.

k) Employee benefits

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2019.

The staff costs incurred in the year are determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The staff costs incurred in relation to the beneficiaries of the plans referred to in Note 26 to the consolidated annual accounts are recognised with a credit to liability and equity accounts in the period in which the costs are incurred.

l) Provisions and contingent liabilities

Provisions are recognised in the balance sheet when:

- the Group has a present obligation (legal or constructive) as result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the annual accounts and are reviewed at the end of each reporting period.

If it is no longer probable that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognised.

There are no risks that might give rise to significant future contingencies affecting the Group that have not already been taken into account in these consolidated annual accounts.

On the other hand, contingent liabilities are possible obligations that arise as a result of past events, whose future materialization is conditioned by whether or not one or more future events beyond the control of the Group occur. Unlike provisions, contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

The Group guarantees the debts of certain companies in the Netherlands, pursuant to the provisions of Article 403.1, Book 2, Part 9 of the Civil Code of the Netherlands.

m) Financial instruments

Financial assets

The Group's financial assets are maintained within a business model that aims to collect the contractual cash flows of financial assets, which are exclusively the principal and interest. For this reason, all of the Group's financial assets are valued after the initial recording at amortized cost, with the exception of bonds and derivative financial instruments, which are valued at their fair value.

Financial assets recognised at amortized cost: The amortized cost is determined using the effective interest rate method, which is the discount rate that equals the value of all future expected cash flows of a financial asset during its remaining life, excluding losses for impairment, to the value of said financial asset at the time of initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss. The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the year 2018 of the effective interest rate method is not relevant.

Financial assets measured at fair value: Derivative financial instruments, which are maintained within the exchange rate risk hedging policy, are valued at their fair value. On the other hand, securities (which for the most part correspond to the guarantees of compliance with lease contracts for premises) are valued at their fair value, which does not differ significantly from the value of the consideration given.

Impairment of financial assets

The Group recognises a provision for impairment for financial assets recognised at amortized cost. This provision is updated at each closing date to reflect changes in the credit risk of each financial instrument since its initial recognition.

The Group's policy is to recognise the credit losses expected at 12 months, provided that:

- The credit risk is low at the time of initial recognition of the financial asset.
- The credit risk has not increased significantly since recognition date.

Otherwise, the Group would recognise the expected loss during the life of the financial asset. In such case, interest is calculated on the gross value of the financial asset. Additionally, if after the significant increase in credit risk, objective evidence of impairment of the financial

asset is shown, interest is calculated considering the value of the financial asset, net of the recognised impairment. On the other hand, it is considered that a financial asset is unpaid when its expiration date has not been reimbursed.

For the assessment of the credit risk of financial instruments other than accounts receivable of commercial origin (see Note 25), the Group has defined its own methodology based on the determination of credit risk indexes for each counterparty based on the use of market information on the credit quality of the counterparties (information such as the ratings assigned by credit agencies) and that allows the assessment of the credit risk of the counterparty at the time of the initial recognition of the financial assets and determine whether, on each closing date, there has been a significant increase in the credit risk on said financial assets or if the counterparty has incurred default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the credit risk of the counterparties. Likewise, this methodology includes the determination of indices for each counterparty to determine the expected loss at 12 months or during the life of the asset based on the exposure to credit risk of each counterparty. The amount of estimated impairment loss is not significant, since almost all financial assets have a low credit risk.

In turn, for accounts receivable of commercial origin (see Note 11), the Group has a methodology analogous to the one described above (Note 25), although in this case the measurement of credit risk of the counterparties is based on factors that affect the ability of debtors to meet payment obligations, such as factors of the economic environment where they operate or the history of defaults of the counterparty with the Group. Likewise, a commercial debtor is considered to have incurred non-payment when it has not met its obligations at maturity, in which case a provision is established based on seniority for the past due balances held with said debtor.

Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when the contractual rights to receive cash flows from the asset expire or when substantially all the risks and benefits associated with their property are transferred to another entity.

n) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognised at fair value.

Foreign currency hedges relating to forecast transactions are treated as cash flow hedges, and therefore any gains or losses derived from measuring the hedging instrument at fair value which correspond to the effective portion of the hedge are recognised in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognised in equity are taken to income when the forecast transaction takes place with a charge or credit to the statement of profit or loss account in which it was recognised. Also, gains or losses recognised in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognised, depending on whether it is positive or negative, under "Other Financial Assets" or "Other Financial Liabilities" in the accompanying consolidated balance sheet.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge, using "effectiveness tests", that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument. Also, the ineffective portion of the hedging instrument is recognised immediately in the consolidated income statement.

The fair value of the hedging instruments was calculated using valuation techniques based on the spot exchange rate and yield curves, according to the fair value hierarchy shown below:

Level 1

Fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 2 instruments

The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Group does not have financial instruments included in the Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Group is calculated as follows:

Foreign currency forwards

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk free zero coupon yield curve (or the interbank yield curve). This risk free valuation is subsequently adjusted to include each party's credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Cross-currency swaps

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.
- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).

- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.
- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

o) Revenue recognition

Sales of goods are recognised when obligations of commitment to customers are fulfilled, which, in general, occur at the moment in which the merchandise is delivered to the customer and, simultaneously, the customer receives the consideration. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the 2018 fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised following the same criteria mentioned above. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

Rental income is recognised on a straight-line basis, over the term of the leases.

In the accompanying consolidated balance sheet no assets have been recorded by contract.

There are no significant contracts with financing components.

p) Leases

Leases are classified as finance leases when they transfer substantially all the risks and rewards inherent to ownership of the leased asset. All other leases are classified as operating leases.

Assets acquired through a finance lease are recognised as non-current assets at the lower of the present value of the future lease payments and the fair value of the leased asset, while the corresponding debt with the lessor is recognised as a liability. Lease payments are apportioned between the reduction of the outstanding liability and the finance charge, which is recorded as a finance cost for the year.

In the case of operating leases, non-contingent or fixed rent payments are recognised as an expense on a straight-line basis over the term of the lease. Contingent rent is recognised as an expense in the period in which payment is probable, as are fixed rent increases linked to the consumer price index.

Incentives received from shopping centre developers or owners of commercial premises (mainly contributions to construction work and grace periods) are recognised as non-current liabilities under "Other Non-Current Liabilities – Lease Incentives" and, in respect of the portion expected to be taken to income in the following year, as current liabilities under "Trade and Other Payables". They are credited to profit or loss, as a reduction of the rental expense under "Operating Expenses", on a straight-line basis over the term of the respective lease contracts.

q) Finance income and costs

Interest income and interest expenses are recognised on an accrual basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

r) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognised as income or as an expense and included in net profit or loss for the period, except to the extent that the tax arises from a transaction which is charged or credited, in the same or a different period, directly to equity, or from a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates in force at the consolidated balance sheet date, in respect of the current period, and any adjustment to tax payable or recoverable in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are the amounts of income taxes payable in the future in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in the future due to the existence of deductible temporary differences, tax loss carryforwards or tax credit carryforwards.

The Group recognises deferred tax assets and liabilities for temporary differences, except where they relate to the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affected neither gross accounting profit nor taxable profit (tax loss), or in the case of deferred tax liabilities, where the temporary differences relate to the initial recognition of goodwill. Deferred tax liabilities are also recognised for temporary differences associated with investments in subsidiaries, except to the extent that the Parent is able to control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that are in force at the balance sheet date, and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the corresponding unused tax losses or tax credits can be utilised. Deferred tax assets, whether recognised or not, are reviewed at each balance sheet date.

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets and liabilities, irrespective of the expected date of realisation or settlement.

s) Current and non-current assets and liabilities

The Group classifies assets and liabilities as current and non-current items in the consolidated balance sheet. Assets and liabilities are classified as current when they are expected to be realized or settled within twelve months of the balance sheet date, and are otherwise classified as non-current.

Assets and liabilities are not offset, unless required or permitted by a standard or interpretation.

t) Treasury shares

Treasury shares acquired by the Group are presented separately at cost as a reduction of equity in the consolidated balance sheet, and no gains or losses are recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction of equity, after consideration of any tax effect.

3 Net Sales

Sales in the consolidated income statement include amounts received from the sale of goods and income from rentals, royalties and other services rendered in the ordinary course of the Group's business, net of VAT and other sales taxes.

The detail of this line item in 2018 and 2017 is as follows:

	2018	2017
Net sales in company-managed stores and online	24,025	23,128
Net sales to franchisees	1,887	1,990
Other sales and services rendered	233	218
Total	26,145	25,336

The Group's Management considers that there are no differentiated income categories with respect to the way in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors. This consideration is consistent with the breakdown of revenues by operating segments (Note 10).

In FY2018, online sales grew 27% to EUR 3.2 billion, 12% of net sales. Online sales account for 14% of net sales in markets with online sales.

4 Cost of sales

The detail of this line item in 2018 and 2017 is as follows:

	2018	2017
Raw materials and consumables	11,360	11,212
Change in inventories	(52)	(219)
Change in provisions	21	83
Total	11,329	11,076

Raw materials and consumables include mainly amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see Note 2.2.i).

5 Operating expenses

The detail of "Operating expenses" and of the changes therein is as follows:

	2018	2017
Personnel expenses	4,136	3,961
Operating leases (Note 24)	2,392	2,358
Other operating expenses	2,801	2,625
Total	9,329	8,944

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2019 is as follows:

Categories	Gender		Total
	W	M	
Manufacturing and logistics	4,713	5,903	10,616
Central services	7,165	4,486	11,651
Stores	119,507	32,612	152,119
Total	131,385	43,001	174,386

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2018 is as follows:

Categories	Gender		Total
	W	M	
Manufacturing and logistics	4,645	5,908	10,553
Central services	7,315	4,427	11,743
Stores	117,395	32,148	149,543
Total	129,355	42,483	171,839

Lease expenses relate mainly to the rental, through operating leases, of the commercial premises in which the Group carries on its business activities. This line item also includes lease incentives, which are recognised in profit or loss. Note 24 provides more detailed information on the main terms of these leases, together with the related future minimum payment obligations.

The detail of "Other Operating Expenses" is as follows:

Other operating expenses	2018	2017
Indirect Selling Expenses	1,408	1,266
Administrative Expenses	578	492
Maintenance, Repairs and Utilities	463	443
Other	352	423
Total	2,801	2,625

“Indirect Selling Expenses” includes mainly expenses relating to store operations, commissions on credit, debit card payments and logistics. “Administrative Expenses” includes all kinds of professional services, “Maintenance, Repairs and Utilities” includes maintenance and utilities expenses and “Other” includes mainly travel, communications and other operating expenses.

6 Other losses and income, net

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts recognised as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognised as a liability and changes are recognised in profit or loss.

Following there is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Group holds a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non-controlling shareholder. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Group holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Proprietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

d) Subsidiary domiciled in Australia

As of 31 January 2018, the Group was the holder of an option over 10% of the capital of Group Zara Australia, PTY. LTD. On 30 April 2018, put and call option was exercised, becoming the owner of 100% of said share capital. The exercise price corresponds to the participation of the partner in the equity of the investee at the time of acquisition.

7 Amortisation and depreciation

The detail of "Amortisation and depreciation Charge" is as follows:

	2018	2017
Amortisation and depreciation charge (Note 13 and 14)	1,206	1,108
Variation in impairment losses (Note 13 and 14)	(1)	114
Profit/(loss) on assets	(109)	(257)
Other	4	(2)
Total	1,100	963

8 Financial results

The detail of "Financial Results" in the consolidated income statement for 2018 and 2017 is as follows:

	2018	2017
Finance income	29	26
Foreign exchange gains	64	29
Total income	92	55
Finance costs	(15)	(10)
Foreign exchange losses	(61)	(49)
Total expenses	(76)	(59)
Total	17	(5)

Finance income and costs comprise mainly the interest accrued on the Group's financial assets and liabilities during the year (see Note 19). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognised and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

9 Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 22), which totalled 3,113,701,857 in 2018 and 3,113,218,213 in 2017.

Diluted earnings per share are calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average of the ordinary shares outstanding for the dilutive effects of the potential ordinary shares.

As of 31 January 2019, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 22), the calculation of diluted earnings per share would result in an amount of EUR 1.105 per share (1.081 as of 31 January 2018).

10 Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial 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 commercial concept 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 commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and operating profit 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 management of the Group.

The Inditex Group segment information is as follows:

2018

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	18,127	2,240	5,886	(109)	26,145
Segment EBIT	3,122	326	909	(1)	4,357
Amortisation and depreciation	710	111	279	1	1,100
Segment total assets	17,345	1,057	3,282		21,684
ROCE	28%	50%	43%		31%
Number of stores	2,862	1,107	3,521		7,490

2017

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	17,551	2,228	5,661	(104)	25,336
Segment EBIT	3,126	354	848	(14)	4,314
Amortisation and depreciation	504	110	334	15	963
Segment total assets	16,023	993	3,215		20,231
ROCE	30%	57%	41%		33%
Number of stores	2,841	1,098	3,536		7,475

Inditex will integrate the reporting of Zara Home into Zara due to the increasing synergies between these 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 from next Autumn/Winter across a number of markets.

For presentation purposes, the commercial concepts other than Zara, Zara Home and Bershka were 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 consolidated annual accounts, 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 from operations refers to its Operating Result (EBIT), as defined in the initial note to these consolidated annual accounts. 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. Transactions between the various segments are carried out on an arm's length basis.

Total segment assets relate to "Total Assets" in the consolidated balance sheet.

The ROCE is calculated as defined in the initial Note to these consolidated annual accounts.

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.

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets neither financial instruments.

	Net Sales		Non-current assets	
	2018	2017	31/01/2019	31/01/2018
Spain	4,557	4,424	3,486	3,056
Rest of Europe	12,388	11,954	3,725	3,458
Americas	4,033	3,877	1,567	1,421
Asia and rest of the world	5,167	5,081	864	884
Total	26,145	25,336	9,642	8,820

11 Trade and other receivables

The detail of this line item at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Trade receivables	229	202
Receivables due to sales to franchisees	229	231
Public entities	218	198
Other current receivables	144	147
Total	820	778

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 24) and outstanding balances from sundry operations.

12 Inventories

The detail of this line item at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Raw materials and consumables	111	101
Goods in process	35	28
Finished goods for sale	2,570	2,556
Total	2,716	2,685

The Group takes out insurance policies to cover the possible risks of material damage to its inventories.

13 Property, plant and equipment

The detail of the items composing "Property, Plant and Equipment" in the accompanying consolidated balance sheet and of the changes therein is as follows:

	Land and buildings	Fixtures, furniture and machinery	Other property, plant and equipment	Work in progress	Total
Cost					
Balance at 01/02/2017	2,161	9,792	599	321	12,872
Acquisitions	45	1,390	109	279	1,822
Disposals	(62)	(593)	(26)	-	(681)
Transfers	16	174	13	(204)	-
Foreign exchange translation differences	(80)	(337)	(18)	(9)	(444)
Balance at 31/01/2018	2,080	10,425	677	387	13,568
Balance at 01/02/2018	2,080	10,425	677	387	13,568
Acquisitions	26	1,114	274	319	1,733
Hyperinflation adjustments	5	19	2	-	26
Disposals (Note 7)	(43)	(606)	(164)	(1)	(814)
Transfers	24	231	16	(271)	-
Foreign exchange translation differences	43	40	(2)	2	82
Balance at 31/01/2019	2,134	11,222	802	436	14,595
Depreciation					
Balance at 01/02/2017	343	4,880	278	-	5,501
Depreciation charge for the year	36	844	86	-	966
Disposals	(19)	(490)	(21)	-	(530)
Transfers	1	(1)	-	-	-
Foreign exchange translation differences	(7)	(131)	(10)	-	(148)
Balance at 31/01/2018	354	5,101	334	-	5,789
Balance at 01/02/2018	354	5,101	334	-	5,789
Depreciation charge for the year (Note 7)	35	812	201	-	1,048
Hyperinflation adjustments	1	15	2	-	18
Disposals (Note 7)	(17)	(530)	(157)	-	(705)
Transfers	41	(41)	-	-	-
Foreign exchange translation differences	4	15	-	-	18
Balance at 31/01/2019	418	5,371	379	-	6,168
Impairment losses (Note 2.2-g)					
Balance at 01/02/2017	2	84	2	-	88
Charge for the year	-	104	6	-	110
Amounts charged to profit or loss	-	(10)	-	-	(11)
Disposals	-	(41)	(1)	-	(42)
Transfers	(1)	(5)	-	-	(6)
Foreign exchange translation differences	-	(3)	-	-	(3)
Balance at 31/01/2018	1	129	6	-	136
Balance at 01/02/2018	1	129	6	-	136
Charge for the year (Note 7)	-	48	2	-	51
Amounts charged to profit or loss (Note 7)	-	(51)	(1)	-	(52)
Disposals (Note 7)	-	(44)	(4)	-	(48)
Balance at 31/01/2019	1	83	3	-	87
Carrying amount					
Balance at 31/01/2018	1,725	5,196	336	387	7,644
Balance at 31/01/2019	1,715	5,768	419	436	8,339

“Fixtures, Furniture and Machinery” includes mainly assets related to stores.

“Other Items of Property, Plant and Equipment” includes, inter alia, information technology equipment and motor vehicles.

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,930 million and EUR 2,117 million at 31 January 2019 and 31 January 2018, respectively.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.g).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

14 Rights over leased assets and other intangible assets

“Rights over Leased Assets” include amounts paid in respect of leasehold assignment, access premiums or tenancy right waivers and indemnities in order to lease commercial premises.

The payments for these rights are attributable to the leased assets and the related cost is allocated to profit or loss in accordance with the terms and conditions of the leases over the lease term.

At 31 January 2019, “Rights over leased assets” included items with an indefinite useful life amounting to EUR 125 million (EUR 132 million at 31 January 2018). The useful life of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group does not have other any intangible assets with an indefinite useful life.

“Other Intangible Assets” includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.g).

The detail of “Other Intangible Assets” in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2017	1,024	30	175	167	1,396
Acquisitions	25	3	67	84	179
Disposals	(51)	-	(1)	(68)	(120)
Foreign exchange translation differences	(17)	-	-	-	(18)
Balance at 31/01/2018	981	33	240	183	1,437
Balance at 01/02/2018	981	33	240	183	1,437
Acquisitions	64	2	111	101	278
Hyperinflation adjustments	1	-	-	-	1
Disposals (Note 7)	(99)	(3)	(2)	(76)	(180)
Transfers	(17)	-	-	-	(17)
Foreign exchange translation differences	9	-	-	-	9
Balance at 31/01/2019	938	32	349	208	1,528
Amortisation					
Balance at 01/02/2017	508	20	71	70	669
Amortisation charge for the year	38	2	26	76	142
Disposals	(38)	-	(1)	(64)	(103)
Foreign exchange translation differences	(6)	-	-	-	(6)
Balance at 31/01/2018	502	22	96	82	703
Balance at 01/02/2018	502	22	96	82	703
Amortisation charge for the year (Note 7)	36	2	40	80	158
Hyperinflation adjustments	1	-	-	-	1
Disposals (Note 7)	(79)	(3)	(1)	(75)	(159)
Foreign exchange translation differences	2	-	-	-	2
Balance at 31/01/2019	462	21	135	87	705
Impairment losses (note 2.2.g)					
Balance at 01/02/2017	12	-	-	-	12
Impairment charge for the year	15	-	-	-	15
Amounts charge to profit or loss	(1)	-	-	-	(1)
Disposals	(2)	-	-	-	(2)
Transfers	(1)	-	-	-	(1)
Balance at 31/01/2018	22	-	-	-	23
Balance at 01/02/2018	22	-	-	-	23
Impairment charge for the year (Note 7)	2	-	-	-	2
Amounts charge to profit or loss (Note 7)	(2)	-	-	-	(2)
Disposals (Note 7)	(10)	-	-	-	(10)
Balance at 31/01/2019	12	-	-	-	12
Carrying amount					
Balance at 31/01/2018	457	11	144	101	712
Balance at 31/01/2019	464	11	214	121	810

The Group capitalized EUR 111 million in 2018 (EUR 67 million in 2017) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 101 million (EUR 84 million in 2017) in respect of the development of industrial designs

and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

15 Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	2018	2017
Opening balance	207	196
Acquisitions	-	11
Foreign exchange translation differences	(1)	-
Closing balance	206	207

Investee	2018	2017
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	34	35
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	10	10
Zara Eslovenia	9	9
Zao Zara CIS	9	10
Others	18	19
Closing balance	206	207

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 2.2.g).

Also, sensitivity analyses were performed based on reasonably possible changes in the main variables used in asset measurement, and the recoverable amount is higher than the related carrying amount (see Note 2.2.g).

16 Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2017	31	198	2	231
Acquisitions	24	42	-	67
Disposals	(22)	(21)	-	(43)
Transfers	(11)	-	-	(11)
Foreign exchange traslation differences	(1)	(5)	-	(7)
Balance at 31/01/2018	21	214	2	237
Balance at 01/02/2018	21	214	2	237
Acquisitions	-	54	-	54
Disposals	(4)	(20)	-	(24)
Foreign exchange translation differences	(2)	2	-	-
Balance at 31/01/2019	15	249	2	267

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

17 Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2017	483	71	554
Acquisitions	20	5	25
Disposals	(28)	(1)	(29)
Profit/(Loss) for the year	-	(4)	(4)
Transfers	-	(7)	(7)
Foreign exchange translation differences	(17)	(1)	(19)
Balance at 31/01/2018	457	62	520
Balance at 01/02/2018	457	62	520
Acquisitions	9	14	23
Disposals	(40)	(2)	(43)
Profit/(Loss) for the year	-	44	44
Transfers	(1)	13	12
Foreign exchange translation differences	7	1	8
Balance at 31/01/2019	432	132	564

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 24), and to amounts paid to secure compliance with contracts in force.

18 Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Trade payables	3,744	3,577
Personnel	426	354
Public entities	465	469
Other current payables	463	505
Total	5,099	4,906

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	2018	2017
	Days	
Average period of payment to suppliers	35.51	35.84
Ratio of transactions settled	35.45	35.84
Ratio of transactions not yet settled	36.38	35.78
	Amount	
Total payments made	3,267	3,245
Total payments outstanding	218	222

This information relates to suppliers and creditors of Group companies domiciled in Spain.

19 Net financial position

The detail of the Group's net financial position is as follows:

	31/01/2019	31/01/2018
Cash in hand and at banks	1,511	1,925
Short-term deposits	3,244	2,938
Fixed-income securities	110	68
Total cash and cash equivalents	4,866	4,931
Current financial investments	1,929	1,472
Current financial debt	(84)	(12)
Non-current financial debt	(5)	(4)
Net financial position	6,705	6,387

“Cash on Hand and at Banks” includes cash on hand and in demand deposits at banks. “Short-Term Deposit” and “Fixed-Income Securities” include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

“Current Financial Investments” on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and obligations under finance leases is as follows:

	31/01/2019			31/01/2018		
	Current	Non-current	Total	Current	Non-current	Total
Loans	82	-	82	11	1	12
Finance leases	2	5	8	1	3	4
Total	84	5	90	12	4	16

At 31 January 2019, the Group had a limit of EUR 6,248 million on its drawable financing facilities (EUR 5,377 million at 31 January 2018). These include reverse factoring, credit and overdraft facilities.

Interest on all the financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market index plus a spread in line with the solvency of the Parent or the subsidiary that has arranged the debt.

Financial debt is denominated in the following currencies:

	31/01/2019	31/01/2018
Euro	9	4
Turkish lira	2	7
British pound	75	-
Indian rupee	3	5
	90	16

The maturity schedule of the Group's bank borrowings at 31 January 2019 and 2018 was as follows:

	31/01/2019	31/01/2018
Less than one year	85	12
Between one and five years	5	4
	90	16

20 Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2017	55	112	75	242
Provisions recorded during the year	40	8	9	56
Disposals	(3)	(26)	(2)	(31)
Transfers	2	-	-	2
Foreign exchange translation differences	(2)	(1)	(7)	(10)
Balance at 31/01/2018	92	93	74	259
Balance at 01/02/2018	92	93	74	259
Provisions recorded during the year	23	7	3	33
Disposals	(2)	(19)	(3)	(24)
Transfers	(44)	5	(4)	(43)
Foreign exchange translation differences	-	-	5	5
Balance at 31/01/2019	69	85	74	229

Provision for pensions and similar obligations to personnel

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2019. The estimated average period of disbursement of the provisioned amounts is around 3 years.

Provision for liabilities

The amounts shown here correspond to present obligations due to legal claims or constructive obligations arising from past events which will probably result in an outflow of resources and can be reliably estimated. At the date of preparation of these consolidated annual accounts there were no legal proceedings the final outcome of which could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognised to arise therefrom.

21 Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2017	836	84	920
Acquisitions	217	1	218
Changes through profit or loss	18	16	34
Disposals	(2)	-	(2)
Transfers	(99)	(12)	(112)
Foreign exchange translation differences	(53)	-	(53)
Balance at 31/01/2018	917	89	1,005
Balance at 01/02/2018	917	89	1,005
Acquisitions	136	-	136
Changes through profit or loss	25	14	39
Disposals	-	-	-
Transfers	(99)	(14)	(112)
Foreign exchange translation differences	4	-	4
Balance at 31/01/2019	983	89	1,072

22 Capital and reserves

Share capital

At 31 January 2019 and 2018, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2019 and 2018 amounted to EUR 20 million, while retained earnings amounted to EUR 12,130 million and EUR 3,918 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognised in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31

January 2019 and 2018, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2019 include restricted reserves amounting to EUR 529 million (EUR 467 million at 31 January 2018) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, in 2018 Inditex has hired Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) its services related to the provision of the daily share ownership notification. As per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public information registered at the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly owned, at 31 January 2019 and 2018, 59.364% and 59.362% respectively of the Parent's share capital (see Note 29). At 31 January 2019 and 2018, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2018 and 2017 amounted to EUR 2,335 million and EUR 2,117 million, respectively. These amounts correspond to payments of EUR 0.75 per share in 2018 and EUR 0.68 per share in 2017.

The distribution of profit proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("the 2016-2020 Plan") (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 31 January 2019, the Parent owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

23 Income taxes

Companies included in the Consolidated Financial Statements pay the Corporate Income Tax individually, except for certain countries (like Spain, Portugal or Netherlands) where they pay taxes under the consolidated tax group regime.

In the case of Spain, the consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated tax groups. The subsidiaries composing the aforementioned Spanish tax group are as follows:

Bershka BSK España, S.A.	Hampton, S.A.	Oysho España, S.A.	Tordera Logística, S.L.
Bershka Diseño, S.L.	Indipunt, S.L.	Oysho Logística, S.A.	Trisko, S.A.
Bershka Logística, S.A.	Inditex, S.A.	Plataforma Cabanillas, S.A.	Uterque Diseño, S.L.
Born, S.A.	Inditex Logística, S.A.	Plataforma Europa, S.A.	Uterque España, S.A.
Chooleet, S.A.	Invercarpro, S.A.	Plataforma Logística León, S.A.	Uterque Logística, S.A.
Comditel, S.A.	Kiddy's Class España, S.A.	Plataforma Logística Meco, S.A.	Uterque, S.A.
Confecciones Fíos, S.A.	Lefties España, S.A.	Pull & Bear Diseño, S.L.	Zara Diseño, S.L.
Confecciones Goa, S.A.	Lefties Logística, S.A.	Pull & Bear España, S.A.	Zara España, S.A.
Denllo, S.A.	Massimo Dutti Diseño, S.L.	Pull & Bear Logística, S.A.	Zara Home Diseño, S.L.
Fashion Logistics Forwarders, S.A.	Massimo Dutti Logística, S.A.	Samlor, S.A.	Zara Home España, S.A.
Fashion Retail, S.A.	Massimo Dutti, S.A.	Stear, S.A.	Zara Home Logística, S.A.
Fibracolor, S.A.	Nikole, S.A.	Stradivarius Diseño, S.L.	Zara Logística, S.A.
Glencare, S.A.	Nikole Diseño, S.L.	Stradivarius España, S.A.	Zara, S.A.
Goa-Invest, S.A.	Oysho Diseño, S.L.	Stradivarius Logística, S.A.	Zintura, S.A.
Grupo Massimo Dutti, S.A.			

The balance of the "Current Taxation of Current Taxes" heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profit for the year 2018, net of withholdings and prepayments made in the period. The heading "Creditors" includes the liability corresponding to other applicable taxes.

The balance of "Current Asset Taxes" in the consolidated balance sheet corresponds, mainly, to amounts to be recovered from tax authorities for such concept. The balance of the "Accounts Receivable" heading in the accompanying consolidated balance sheet mainly includes the amount by which the input VAT exceeded output VAT for the period.

The income tax expense includes both the part concerning expense for current tax and the corresponding expense for deferred tax. The current tax is the amount to be paid for the income tax related to the fiscal gain of the period and for other fiscal charges derived from compliance with the regulations that regulate the income tax. The deferred tax reflects the amounts of tax on the profits to be paid or recovered in future periods and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2018	2017
Current taxes	1,045	984
Deferred taxes	(65)	(5)

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognised in the consolidated income statement for 2018 and 2017 is as follows:

	2018	2017
Consolidated accounting profit for the year before taxes	4,428	4,351
Tax expense at tax rate in force in the country of the Parent	1,107	1,088
Net permanent differences	(140)	(145)
Effect of application of different tax rates	(74)	(45)
Adjustments to prior years' taxes	6	23
Tax withholdings and other adjustments	85	78
Adjustments to deferred tax assets and liabilities	2	10
Tax withholdings and tax benefits	(7)	(30)
Income tax expense	980	979

The permanent differences correspond, mainly, to expenses not tax deductible and to tax revenues for the contribution of rights to use certain assets to a subsidiary.

The companies that make up the consolidated Group have benefited from the tax benefits provided for in the tax regulations in force in each country amounting to 7 million euros (30 million euros as of 31 January 2018). These deductions and bonuses derive, fundamentally, from investments, the correction of double taxation and, to a lesser extent, bonuses.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The consolidated balance sheet closed as of 31 January 2019 includes the assets and liabilities for deferred taxes existing at that date.

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet is as follows:

Deferred tax assets arising from:	2018	2017
Provisions	134	116
Non-current assets	142	144
Lease incentives	57	53
Valuation adjustments	50	56
Tax losses	73	79
Intra-Group transactions	239	179
Other	163	115
Total	858	744

Deferred tax liabilities arising from:	2018	2017
Intra-Group transactions	140	126
Non-current assets	75	60
Valuation adjustments	15	22
Other	82	59
Total	312	268

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2018 and 2017 were as follows:

Deferred tax assets arising from:	2018	2017
Opening balance	744	722
Charge/Credit to profit or loss	117	33
Charge/Credit to equity	(5)	(11)
Transfers	2	-
Closing balance	858	744

Deferred tax liabilities arising from:	2018	2017
Opening balance	268	257
Charge/Credit to profit or loss	52	13
Charge/Credit to equity	(10)	(2)
Transfers	2	-
Closing balance	312	268

As of 31 January 2019, the Group has tax losses subject to compensation with future benefits amounting to EUR 398 million (EUR 372 million at 31 January 2018). Within the breakdown of assets for deferred taxes previously indicated, those corresponding to tax losses pending to be offset are included, with a balance of EUR 73 million at 31 January 2019 (EUR 79 million at 31 January 2018). The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 2.2.g), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account. Thus, the balance of deferred tax assets recorded in the balance sheet is the result of the aforementioned analysis of the total amount of tax losses that the Group has declared at year end that, for the most part, are not subject to a period of effective compensation.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 75 million.

On the other hand, in accordance with the tax legislation applicable to the parent company of the Group, the dividends proposed or declared to the shareholders of said company, before the financial statements have been formulated and that have not been recognised as liabilities, do not generate consequences in the Income Tax of the parent company.

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. At present, verification actions are being carried out on different Group companies, among which we highlight those domiciled in Spain, France and the United States. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

Lastly, these consolidated annual accounts include the effect of the entry into force in Spain of Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances. These measures consisted of the amendment of the limits for offsetting tax losses and the introduction of the compulsory reversal of impairment losses on investments and the non-deductibility of losses arising on the transfer of investments in certain entities. The effect of these measures on the Group's equity position and results was not significant.

24 Operating leases

Most of the commercial premises at which the Group carries on its retail distribution activities are leased from third parties. These leases are classified as operating leases because they do not transfer the risks and rewards incidental to ownership of the underlying assets, since:

- ownership of the asset is not transferred to the lessee by the end of the lease term;
- the lessee does not have an option to purchase the leased asset;
- the leases have an initial term of between 10 and 15 years, which is shorter than the estimated useful life of assets of this nature (see Note 2.2.c);
- at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Due, inter alia, to the presence of the Group in various countries, the resulting variety of legislation governing leases and the diverse nature and economic status of the owners, its leases are regulated by a broad range of clauses.

In many cases the leases simply establish a fixed lease payment, normally made on a monthly basis and, which may be adjusted in accordance with rent revision rules, including most notably, among others, revisions in line with inflation on the basis of price indices correcting the amounts paid for the effect of inflation and periodic rent revisions to bring the amounts paid into line with market prices. In other cases the amounts payable to the lessor are determined as a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may be instrumented through advance rental payments, have guaranteed minimum amounts or certain specific calculation rules attached. Occasionally, escalating rental payments or rent-free grace periods are agreed, which means cash outflows can be reduced at the start of the lease, even if the expense is recognised on a straight-line basis (see Note 2.2.p).

Lease contracts also sometimes require the lessee to pay certain amounts to the lessor which, from an economic perspective, could be considered to be advance rental payments, or to pay amounts to the previous tenants so that they waive certain rights or transfer them to the Group (leasehold assignment rights or various types of indemnities). These amounts are recognised as non-current assets (see Note 14) and are generally amortized over the term of the lease.

On certain occasions, shopping centre developers or the owners of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are treated as lease incentives (see Note 21) and are recognised in the income statement on a straight-line basis over the lease term.

There is also a wide variety of different lease terms, although they generally have an initial term of between 10 and 15 years. Also, in most cases the lessee has the power to renew the lease and extend the related lease term.

Frequently, the law or the leases themselves protect the tenant's ability to terminate them. The majority of the contracts foresee the possibility of termination by the Group within a period of less than 3 years, and the contractual relationship can be terminated as of this date, provided that it is communicated with the previously established notice (e.g., three months). Clauses that allow for the termination of leases at any time during their term are also common, only requiring advance notice within the agreed term. Some leases combine the minimum term obligations with get-out clauses that may only be exercised at certain times during the term of the lease (e.g. every three or five years). In other less frequent cases, however, the Group is obliged to see out the full term of the lease.

The detail of the operating lease expense is as follows:

	2018	2017
Minimum payments *	1,927	1,913
Contingent rents	465	446
Total (Note 5)	2,392	2,358
Sublease income	7	4

* Minimum payments include fixed rental fees, common expenses and other expenses related to the lease.

The breakdown of the future minimum lease payments under non-cancellable operating leases is as follows:

	2018			2017		
	Less than one year	One to five years	Over five years	Less than one year	One to five years	Over five years
Lease payments	1,457	2,415	1,082	1,453	2,386	1,092

25 Financial risk management policy and financial instruments

Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian rouble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimization of the Group's operations in order to minimize the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro), and these instruments are recognised under "Current Financial Asset".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group uses financial derivatives such as zero-premium option combinations and, occasionally, foreign currency forwards.

Certain Group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing foreign currency risk management policies, derivatives are arranged, mainly forwards and cross currency swaps, to hedge the changes in fair value related to exchange rates.

As described in Note 2.2.n, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 2.2.n on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2018, using hedge accounting, no significant amounts were recognised in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

Approximately 70% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to year-end, while the remaining 30% are expected to fall due between six months and one year. Also, the impact on the consolidated income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 2.2.n.

The Group uses the Cash-Flow-at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value-at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 256 million at 31 January 2019 (31 January 2018 EUR 237 million).

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Group adopts prudent criteria in its investment policy the main objectives of which are to mitigate the credit risk associated with investment products and the counterparty risk associated with banks by establishing highly detailed analysis criteria.

Investment vehicles are rated using a selection of criteria, including, inter alia, the ratings of the three main rating agencies, the size of the investment vehicle, location and returns. All the investment vehicles have the highest possible credit rating.

In addition to taking into account the credit ratings issued by the three main rating agencies, the Group considers the solvency, liquidity, asset quality and managerial prudence of the banks, as well as the potential performance of the bank in stressed conditions and standard probability of default models.

Based on the aforementioned counterparty risk considerations, the Group assigns a rating that determines the maximum permissible exposure to a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Group. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfilment by the investment vehicle of domestic and regulatory requirements.

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement. Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

The Group estimates that at the closing date there has not been a significant increase in the credit risk of the financial assets that had a low credit risk at the beginning, which is why the expected loss at 12 months has been estimated, and it is not significant.

In relation to accounts receivable of commercial origin, the Group estimates that at closing date there has not been a significant increase in credit risk since its recognition, which is why the expected loss at 12 months has been estimated, not being significant, and it has not been considered necessary to make valuation corrections with accounts receivable not due.

The main financial assets of the Group are shown in the "Financial instruments: other information" section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 19).

Note 19 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Group's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (see Note 19), any changes in interest rates at year-end would not significantly affect consolidated profits.
- Financial debt: given the amount of the Group's external financing (see Note 19), any change in interest rates at year-end would not significantly affect consolidated profits.
- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 2.2.g).
- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Group does not have any material financial assets or liabilities designated as at fair value through profit or loss. A potential change in fair value would not imply significant impact.

Country risk

The international presence of the Group's business activities exposes it to the country risk of multiple geographical regions, in both its supply and its sales and distribution activities. The Group adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

One of the most significant manifestations of country risk is foreign currency risk and the possibility of exposure to limits or controls on the free circulation of cash flows due to a lack of currency convertibility, in current or capital account terms, or to unexpected restrictions on the movement of capital. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum.

At 31 January 2019, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

At 31 January 2019, the Group was not operating in markets in which there was more than one exchange rate.

Brexit-related risk

Since the announcement of the referendum on the permanence of the United Kingdom in the European Union in 2016, measures have been taken to mitigate the potential impact of this process for the Group. Even though there is still uncertainty about the possible date of entry into force of Article 50 of the Treaty on European Union, as a result of which the United Kingdom would leave the European Union, there is certainty that a *Brexit* without an agreement would mean significant changes in the regulatory environment in which the group operates in the United Kingdom, as well as in the commercial relationship between the United Kingdom and the EU, by passing these to be governed by the rules of the World Trade Organization (WTO).

In anticipation that the United Kingdom may leave the European Union without a negotiated agreement, the Group has comprehensively evaluated what the potential impact for the business in this market would be, and for the Group as a whole. The areas of the Group responsible for the management and control of the different risks, have carried out a coordinated analysis of the causes, repercussions, as well as the supposed materialization deadlines of the different impacts of a *Brexit* scenario without agreement. The purpose of this exercise has been twofold. On the one hand, determine the criticality of the different risks and evaluate their impact, on the other hand, design an action Plan with specific mitigation measures, assignees for its execution, and maximum deadlines for implementation.

Among the main risks arising from a *non-negotiated Brexit*, we highlight the possibility of transient disruptions in the supply of services and goods necessary for the normal operation of the Group's multi-channel commercial offer in the United Kingdom. Another of its manifestations would be the establishment of tariffs, as well as the increase of commercial friction resulting from the elimination of the free movement of goods and services. Potentially, the pound sterling would weaken, and consumption could slow down. An environment of regulatory uncertainty would generate tensions in the British labour market, as a result of the limitations on the free movement of people and the change of residence and work regulations. In addition, the surplus variation of the regulation could compromise the supply of goods and services that the Group receives outside the United Kingdom from entities domiciled in that jurisdiction. Some of these providers may experience difficulties, which would deteriorate the level of their profits. Despite the transcendence of a *Brexit* without an agreement, the analysis exercise shows that the residual risk for the Group, once the mitigation actions have been implemented, would not be significant.

Capital management

The Group's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 28.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2019 and 2018, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognised under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:

Other financial assets	2018	2017
Fair value of the hedging instruments	20	12
Total	20	12

Other financial liabilities	2018	2017
Fair value of the hedging instruments	24	81
Reciprocal call and put options (Note 6)	23	24
Total	47	105

The detail of the fair value (measured as indicated in Note 2.2.n) of the hedging instruments for 2018 and 2017 is as follows:

2018

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2018	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2017
OTC Derivatives						
Foreign currency forwards	2	20	10	(6)	3	12
Total Derivates		20	10	(6)	3	12

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2018	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2017
OTC Derivatives						
Foreign currency forwards	2	19	(39)	(31)	11	78
Cross Currency Swap	2	5	2	-	-	3
Total Derivates		24	(36)	(31)	11	81

2017

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2017	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2016
OTC Derivatives						
Foreign currency forwards	2	12	(63)	(11)	6	81
Options	2	-	-	(6)	-	6
Total Derivates		12	(63)	(17)	6	87

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2017	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2016
OTC Derivatives						
Foreign currency forwards	2	78	22	-	31	25
Cross Currency Swap	2	3	(12)	-	-	15
Total Derivates		81	10	-	31	40

There were no transfers among the various levels of the fair value hierarchy (see Note 2.2.n).

Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the guarantees given in relation to the lease of commercial premises, which are shown under "Other Non-Current Assets". The main financial assets of the Group are as follows:

	2018	2017
Cash and cash equivalents (Note 19)	4,866	4,931
Current financial investments (Note 19)	1,929	1,472
Trade receivables (Note 11)	229	202
Receivable due to sales to franchises (Note 11)	229	231
Other current receivables (Note 11)	144	147
Guarantees (Note 17)	432	457
Total	7,828	7,440

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

In 2018 no significant impairment losses were recognised on financial assets.

26 Employee benefits

Obligations for benefit plans or defined contributions

The Group does not maintain obligations with its employees as a general rule for defined benefit plans or contributions. However, in certain countries, due to the legislation or regulation in force or local labour practice, the Group assumes certain commitments related to the payment of certain amounts for accidents, illness or retirement, among others, sometimes partially paid by the worker and risk is partially or totally externalized through hiring the corresponding insurance policies.

Likewise, in certain countries, the worker participates in a percentage of the profits generated by the Group companies. The liabilities related to these items are recorded in the "Creditors" and "Other long-term liabilities" heading in the consolidated balance sheet. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Long-term Incentive Compensation Plans

Long-term Incentive Plan 2016-2020

The General Shareholders' Meeting agreed, at its meeting of 19 July 2016, a Long-Term Incentive Plan 2016-2020 (hereinafter, the "Plan"), addressed to members of the management team and other employees of the Board of Directors of Inditex and its Group of companies, by virtue of which each beneficiary shall have the right, if the conditions established in said plan are met, to receive up to a maximum amount of the assigned incentive.

The Plan consists of the combination of a multi-year cash bonus and a promise of a delivery of shares free of charge that, after a certain period of time and once the fulfilment of the specific goals is verified, will be paid to the beneficiaries of the plan, in its totality or in the applicable percentage.

The Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the Plan has elapsed and spanned the period from 1 February 2016 to 31 January 2019. The second cycle spans the period from 1 February 2017 to 31 January 2020.

The Plan is linked to critical business targets and the creation of value for the shareholder.

The Plan does not expose the Group to material risks.

The liability related to the Plan in cash is shown under "Provisions" and "Trade and other payables" in the consolidated balance sheet, and its annual allocation is recorded as an operating expense in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

The amount related to the Plan in shares is shown in the "Net equity" of the consolidated balance sheet and its annual allocation is recorded as an operating expense in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

For the coverage of this Plan, the Group has acquired, as an active asset, a volume of treasury shares sufficient to meet future obligations (see Note 22).

The incentive to be received will be calculated in accordance with the provisions of the seventh agreement of the General Shareholders' Meeting held on 19 July 2016.

Extraordinary profit-sharing plan

In response to the Group performance, Inditex approved, in 2015, an extraordinary employee sharing plan in the growth of the Company's profits for the 2015 and 2016 financial years. In 2017, the Group approved a new plan for employee participation in the growth of the company's profits for the 2017 and 2018 financial years, with characteristics similar to the previous one.

In fiscal year 2018, the part corresponding to fiscal year 2017 was executed, following the criteria described in Note 26 of the annual report corresponding to fiscal year 2017. During fiscal year 2019, the part corresponding to fiscal year 2018 will be executed.

The liabilities related to this item are recorded under the heading "Trade and other payables" in the consolidated balance sheet, and their annual allocation is included in the heading "Operating expenses" in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

27 Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Tempe, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City México	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Logística, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo Brazil	Equity method	31-dec	Multi-concept	Dormant
Tempe Diseño, S.L.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading	50.00%	Fribourg Switzerland	Equity method	31-oct	Multi-concept	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong China	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai China	Equity method	31-dec	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRS, together with other relevant financial information:

	2018	2017
Fixed assets	192	170
Others	38	29
Non-current assets	231	199
Inventories	284	238
Trade and other receivables	370	377
Cash and cash equivalents	10	18
Current assets	663	632
Non-current liabilities	(26)	(42)
Trade and other payables	(310)	(319)
Others	(29)	(19)
Current liabilities	(339)	(338)
Net assets	529	452
Revenues	1,317	1,246
Gross profit	354	288
Operating expenses	(191)	(182)
Amortisation and depreciation	(23)	(24)
Net operating profit (EBIT)	140	92
Net profit	113	81

In 2018 the Group received dividends totalling EUR 20 million (EUR 21 million in 2017) from Tempe (see Nota 16).

28 Proposed distribution of the profit of the Parent

The Directors will propose that EUR 2,740 million of the 2018 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of EUR 0.66 per share and an extraordinary dividend of EUR 0.22 gross per share on the total outstanding shares, and that EUR 7,641 million be taken to voluntary reserves.

From the total amount of EUR 0.88 per share to be distributed as dividend, EUR 0.44 per share are payable on 2 May 2019 in concept of interim ordinary dividend and EUR 0.44 per share on 4 November 2019 as extraordinary dividend and bonus dividend.

29 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 in 2018 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2019, per the Parent's shareholder register, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

Name or company name of director	% Voting rights attributed to the shares		% Voting rights through financial instruments		% Total voting rights
	Direct	Indirect	Direct	Indirect	
Mr Pablo Isla Álvarez de Tejera ¹	0.0620%	-	0.0070%	-	0.0690%
Mr Amancio Ortega Gaona ²	-	59.294%	-	-	59.294%
Mr José Arnau Sierra	0.001%	-	-	-	0.001%
Pontegadea Inversiones, S.L. ³	50.010%	-	-	-	50.010%
Bns Denise Patricia Kingsmill	-	-	-	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%
Mr Rodrigo Echenique Gordillo	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-
Total					59.364%

¹ In accordance with the 2016-2020 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 215,405 shares, i.e 0.007%

² Through Pontegadea Inversiones, SL and Partler 2006, S.L.

³ Represented by Ms Flora Pérez Marcote

Pursuant to the provisions of article 229 of the Capital Companies Law, as amended by Law 31/2014, of December 3, no director has communicated any situation that, directly and/or indirectly, through persons related to they could place them in a potential conflict of interest with the Parent Company.

Notwithstanding the foregoing, Mr. Rodrigo Echenique Gordillo, Mr. Emilio Saracho Rodríguez de Torres and Ms. Pilar López Álvarez, hold positions on the Boards of Directors of Banco Santander, International Consolidated Airlines Group and Microsoft Iberica, respectively, and perform their duties as Inditex directors as independent parties, without prejudice to the commercial relationships that Inditex has with these companies for years. In any case, the Board of Directors ensures, through the Audit and Control Committee that the transactions with directors and/or significant shareholders, or with respective related persons, are carried out under market conditions and respecting the principle of equal treatment to shareholders.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment of resignation, making available a position, compensation or any other agreement referred to a director or to a person or company related to a director, the affected party was absent from the company meeting during the deliberation and voting of the corresponding agreement.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities (Note 27) and associates detailed in Appendix I to the notes to the consolidated annual accounts, 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 secondary 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, which form part of the normal course of business in terms of their purpose and terms and conditions, were eliminated in full on consolidation and, 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 in the consolidated balance sheet:

Transactions:

Type of company	2018	2017
Jointly controlled entities	(1,009)	(951)

Balances:

	31/01/2019	31/01/2018
Current financial investments	1	1
Trade and other receivables	11	7
Non-current financial investments	258	227
Trade and other payables	308	251
Current financial debt	1	1

The detail of the transactions with significant shareholders, the members of the Board of Directors and management is as follows:

Significant shareholders

In 2018 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:

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	Lease of assets	(44)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of assets (land)	1
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	2
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

In 2017 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:

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	Lease of assets	(42)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	7
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

Several 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 management

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

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2018:

Name or business name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2018
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	3,087	3,052	9,489
Mr José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Mr. José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Carlos Espinosa Bernaldo de Quirós (2)	Other external	46	-	70	-	-	-	-	116
Ms Pilar López Álvarez (3)	Independent	54	-	80	-	-	-	-	134
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		900	80	900	150	3,250	3,087	3,052	11,419

Notes:

(1) Represented by Ms Flora Pérez Marcote

(2) Cessation of employment at 17 July 2018.

(3) From 17 July 2018.

An itemised breakdown of the remuneration of the members of the Board of Directors in 2017 is as follows:

Name or business name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2017
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	3,220	4,120	10,690
Mr José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Mr José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100	-	150	-	-	-	-	250
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		900	80	900	150	3,250	3,220	4,120	12,620

Notes:

(1) Represented by Ms Flora Pérez Marcote

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2018 were as follows:

2018

	SENIOR MANAGEMENT
Remuneration	42,768
Termination benefits	2,168
Total	44,936

The total remuneration and termination benefits earned by senior management of Inditex Group in 2017 were as follows:

2017		SENIOR MANAGEMENT
Remuneration		34,426
Termination benefits		-
Total		34,426

The aforementioned remuneration for the 2018 fiscal year includes the accrued amount corresponding to the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan. The amount accrued during the year 2018 for this incentive is 3,052 thousand euros for Directors and 15,302 thousand euros for Senior Management, instrumented in (i) an incentive in cash, for a total amount of 1,348 thousand euros gross for Directors and 8,384 thousands of gross euros for Senior Management, and (ii) an incentive in shares, equivalent to a total of 69,985 shares, which corresponds to a gross amount of 1,704 thousand euros, for Directors, and a total of 284,100 shares, corresponding to with an amount of 6,918 thousand euros gross, for Senior Management.

For these purposes, it is stated that, in order to quantify the part of the incentive that will be delivered in shares, the market value of Inditex's shares at closing of the market on the accrual day of the first cycle of the 2016-2020 Plan (that is, 31 January 2019) has been considered as a reference.

The liquidation of the incentive in cash and in shares will take place during the month following the publication of the annual accounts corresponding to fiscal year 2018.

The remuneration for 2017 includes the accrued amount corresponding to the second cycle (2014-2017) of the Long-Term Incentive Plan for Shares was 4,120 thousand euros for Directors and the accrued amount 9,271 thousand euros for Senior Management and paid during the first semester of the fiscal year 2017.

During the years 2018 and 2017, no contribution has been made to the defined contribution forecast Plan.

30 External auditors

In 2018 and 2017 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2018	2017
Audit services	6.5	6.3
Other assurance services	0.5	0.5
Total audit and similar services	7.0	6.8
Other services	0.1	0.1
Total professional services	7.1	6.9

According to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.0194% of their total revenue.

31 Environment

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

32 Events after the reporting period

At the date of formal preparation of these consolidated annual accounts no matters had been disclosed that might modify the consolidated annual accounts or give rise to disclosures additional to those already included in these consolidated annual accounts.

33 Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I – Composition of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Fíos, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Goa, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Denllo, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Hampton, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Nikole, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Samlor, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Stear, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Trisko, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Zintura, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Glencare, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Indipunt, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Zara España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100%	New York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara	Retail sales
Zara UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Zara	Retail sales
Zara Mexico, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara	Retail sales
Zara México, S.A. de C.V.	95%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Zara Portugal- Confeccoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Financién B.V. Ireland	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Financial services
Zara Brasil, LTDA.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara	Retail sales
Zara Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Zara Danmark, AS.	100%	Copenhague - Denmark	Full Consol.	31-jan	Zara	Retail sales
Zara Sverige, AB.	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara	Retail sales
Zara Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Zara	Retail sales
Zara Canada, Inc.	100%	Montreal - Canada	Full Consol.	31-jan	Zara	Retail sales
Zara Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Zara Luxembourg, S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales
Zara Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Retail sales
Zara Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara	Retail sales
Zara Česká Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara	Retail sales
Zara Puerto Rico, Inc.	100%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100%	Monte Carlo - Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100%	Beijing - China	Full Consol.	31-dec	Zara	Retail sales
Zara Macau, Ltd.	100%	Macao SAR	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
JSC "Zara CIS"	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company
Zara Bucuresti, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara	Retail sales
Zara Ukraine LLC	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Zara	Retail sales
ITX Taiwan B.V. Zara - Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
Zara Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara	Retail sales
Zara Retail Korea, Co Ltd.	80%	Seoul - South Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Zara Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Retail NZ Limited	100%	Auckland - New Zealand	Full Consol.	31-jan	Zara	Retail sales
KG ZARA Deutschland B.V. & Co.	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
Zara Retail South Africa (Proprietary), LTD.	90%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	100%	Sydney - Australia	Full Consol.	31-jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Zara	Retail sales
ITX Financien, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Taiwan, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Zara	Retail sales
Nikole Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100%	Podgorica - Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100%	Seoul - South Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Zara	Retail sales
Kiddy's Class España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Fibracolor, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Dormant
ITX Holding, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Holding company
Zara Finland, OY	100%	Helsinki - Finland	Full Consol.	31-jan	Zara	Retail sales
Retail Group Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales
Oysho Portugal - Confecções, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Oysho	Retail sales
Oysho Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Oysho	Retail sales
Oysho Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Oysho	Retail sales
Oysho Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Oysho	Retail sales
Oysho Croacia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Oysho	Retail sales
Oysho Suisse SÄRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih. Ve. Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC.	100%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Danmark AS	100%	Copenhagen - Denmark	Full Consol.	31-jan	Massimo Dutti	Retail sales
LLC Massimo Dutti	100%	Moscow - Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Massimo Dutti Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100%	Macao SAR	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llс	100%	Kiev - Ukraine	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shanghai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich Clothing, GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100%	Montreal - Canada	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100%	Helsinki - Finland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, SA	100%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
Italco Moda Italiana, SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Japan, Co.	100%	Tokyo - Japan	Full Consol.	31-jan	Massimo Dutti	Dormant
KG Massimo Dutti Deutschland, B.V. & CO.	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarország KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales
Master Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihtac.Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100%	London - UK	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llс	100%	Kiev - Ukraine	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design
Pull & Bear Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
P&B Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100%	Stockholm - Sweden	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Uterqüe, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Buyer
Uterqüe España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hellas	100%	Athens - Greece	Full Consol.	31-jan	Uterqüe	Retail sales
Grupiterqüe Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Design
"ITX KOSOVO" L.L.C.	100%	Pristina	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Italia, Srl.	100%	Milan - Italy	Full Consol.	31-jan	Uterqüe	Retail sales
ITX Finance Asia, LTD	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Financial services
Inditex USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Holding company
Uterqüe Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Polska SP. Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100%	Kiev - Ukraine	Full Consol.	31-jan	Uterqüe	Retail sales
Bershka BSK España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Bershka	Retail sales
Bershka Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Carpati, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Bershka	Retail sales
Bershka Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hong Kong Limited	100%	Hong Kong SAR	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100%	Beijing - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
Bershka Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Bershka	Retail sales
Bershka Japan, Co	100%	Tokyo - Japan	Full Consol.	31-jan	Bershka	Retail sales
BSKE, GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE DAC	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Stradivarius	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Stradivarius Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Česká Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100%	London - UK	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Japan Corporation	100%	Tokyo - Japan	Full Consol.	31-jan	Stradivarius	Retail sales
ITX Trading, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer
Zara Home España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Portugal, Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Canada, Inc	100%	Montreal - Canada	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Macao SUL	100%	Macao SAR	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Sverige AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÄRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100%	Sydney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Danmark A/S	100%	Copenhagen - Denmark	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100%	Belgrade - Serbia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Bulgaria EOOD	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara Home	Retail sales
Limited Liability Company "ZARA HOME BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Plataforma Europa, S.A.	100%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100%	León - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics
Uterqüe Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Logistics
Uterque Fashion RO S.R.L.	100%	Bucharest - Romania	Full Consol.	31-dec	Uterqüe	Retail sales
Lefties Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Inditex Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Tordera Logística, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
ITX Fashion Ltd	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Dormant
Goa-Invest, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100%	Hong Kong SAR	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
Invercarpro, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Zara	Real estate
Robustae Confecciones, S.A	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
Lefties España, S.A,	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100%	Palma de Mallorca - Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Lelystad Platform, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Logistics
Robustae Mexico, S.A DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Inditex Cogeneración, A.I.E.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Combined heat and power plant
Inditex, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedoniaia Dooel Skopje	100%	Skopje - Macedonia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Financien II, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX TRYFIN B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX RUBFIN, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100%	Gurgaon - India	Full Consol.	31-mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant
ITX Merken, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX LUXEMBOURG S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Pull & Bear	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
CDC Trading (Shanghai) Co. LTD.	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
Oysho Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Oysho	Retail sales
Oysho Slovakia S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Construction

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.

CONSOLIDATED DIRECTORS' REPORT AT 31 JANUARY 2019

(Amounts expressed in millions of euros)

Situation of the entity

The information relating to the "Situation of the entity" is detailed in section "I. Inditex: Integrated and Sustainable Business Model" in the accompanying Annex IV that contains the "Non-financial information and information on diversity" of Inditex Group.

Organizational structure

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

- General Shareholders' Meeting
- Board of Directors
- Executive Committee
- Audit and Control Committee
- Nomination Committee
- Remuneration Committee
- Code Compliance Committee and Office
- Ethics Committee

Business performance and results

Key financial and non-financial indicators

Inditex continues to roll out its global, fully integrated store and online platform.

In FY2018, Inditex achieved a strong operating performance. Net sales reached EUR 26.1 billion, with growth of 3%. Sales in local currencies grew 7%.

Like-for-like sales increased 4% in FY2018 (4% in the first half and 3% in the second half), on 5% in FY2017. LFL sales were positive across all geographic areas, in all concepts, and in both stores and online in 2018. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2018 and 2017) and online. This represents 82% of total sales.

In FY2018, online sales grew 27% to EUR 3.2 billion, 12% of net sales. Online sales account for 14% of net sales in markets with online sales.

Last March, Inditex launched online sales for Zara in Australia and New Zealand. In November, Inditex launched online sales for Zara in an additional 106 markets. Zara collections are now available in a total of 202 markets.

In FY2018 gross new space in prime locations increased 8% (4.7% net). Total selling area at FYE reached 4,962,081 square metres:

	2018	2017	18/17
Zara (Zara and Zara Home)	3,256,381	3,091,747	5%
Pull&Bear	419,387	409,363	2%
Massimo Dutti	274,563	269,512	2%
Bershka	541,310	514,384	5%
Stradivarius	332,279	324,045	3%
Oysho	122,841	116,079	6%
Uterqüe	15,320	14,297	7%
Total	4,962,081	4,739,427	5%

Inditex has been very active in store optimisation activities in 2018 (370 openings, 355 absorptions, and 226 refurbishments which include 112 enlargements). At the end of FY2018 Inditex operated 7,490 stores. In FY2018 Inditex opened stores in 56 markets. To reinforce our position we have optimised 90% of our retail space over the period 2012 to 2018.

A list of the number of stores is included in the table below:

Concept	31 January 2019	31 January 2018
Zara	2,131	2,118
Zara Kids	128	133
Zara Home	603	590
Pull&Bear	974	979
Massimo Dutti	766	780
Bershka	1,107	1,098
Stradivarius	1,011	1,017
Oysho	678	670
Uterqüe	92	90
Total	7,490	7,475

Company-managed stores and franchised stores at the end 2018:

Concept	Co. Managed	Franchised	Total
Zara	1,881	250	2,131
Zara Kids	128	-	128
Zara Home	524	79	603
Pull&Bear	818	156	974
Massimo Dutti	652	114	766
Bershka	933	174	1,107
Stradivarius	809	202	1,011
Oysho	592	86	678
Uterqüe	75	17	92
Total	6,412	1,078	7,490

Sales in company-managed and franchised stores:

Concept	Co. Managed	Franchised
Zara (Zara and Zara Home)	88%	12%
Pull&Bear	84%	16%
Massimo Dutti	85%	15%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	87%	13%
Uterqüe	86%	14%
Total	86%	14%

A list of the stores' locations by concepts and by market at FYE is included in Annex III.

Net sales by concept are shown in the table below:

	2018	2017
Zara (Zara and Zara Home)	18,021	17,449
Pull&Bear	1,862	1,747
Massimo Dutti	1,802	1,765
Bershka	2,240	2,227
Stradivarius	1,534	1,480
Oysho	585	570
Uterqüe	101	97
Total	26,145	25,336

The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

Area	2018	2017
Europe ex-Spain	45.1%	44.9%
Asia & RoW	23.2%	23.2%
Spain	16.2%	16.3%
Americas	15.5%	15.6%
Total	100.0%	100.0%

Inditex will integrate the reporting of Zara Home into Zara due to the increasing synergies between these 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 from next Autumn/Winter across a number of markets.

Inditex sees strong growth opportunities and continues to expand its global, fully integrated store and online sales platform.

Gross profit reached EUR 14.8 billion, 4% higher than in FY2017 (+8% in local currencies). The gross margin reached 56.7% (+39 bps).

Operating expenses have been tightly managed over the year and have grown by 4%, mainly as a result of the growth in sales and new retail space added.

	2018	2017
Personnel expenses	4,136	3,961
Rental expenses	2,392	2,358
Other operating expenses	2,801	2,625
Total	9,329	8,944

At FYE 2018 the number of employees was 174,386 (171,839 at FYE 2017).

EBITDA rose to EUR 5.5 billion, 3% higher than a year earlier (+11% in local currencies). EBIT rose to EUR 4.4 billion, 1% higher (+9% in local currencies).

The breakdown of EBIT by concept is shown below:

Concept	EBIT by concept (€m)		% sales	% total
	2018	2017	2018	2018
Zara (Zara and Zara Home)	3,122	3,120	17%	72%
Pull&Bear	300	264	16%	7%
Massimo Dutti	258	260	14%	6%
Bershka	327	353	15%	8%
Stradivarius	259	225	17%	6%
Oysho	86	87	15%	2%
Uterqüe	5	5	5%	0%
Total EBIT	4,357	4,314	17%	100%

The following chart shows the breakdown of financial results:

	2018	2017
Net financial income (losses)	14	16
Foreign exchange gains (losses)	3	(21)
Total	17	(5)

Results from companies consolidated by the equity method came to EUR 54 million.

Net income came to EUR 3.4 billion, 2% higher than the previous year (+12% in local currencies).

Return on Equity (ROE), defined as net income on average shareholder's equity:

	2018	2017
Net income	3,444	3,368
Shareholders equity - previous year	13,497	12,713
Shareholders equity - current year	14,653	13,497
Average equity	14,075	13,105
Return on Equity	24%	26%

Return on Capital Employed (ROCE), defined as EBIT on average capital employed (shareholder's equity plus net financial debt):

	2018	2017
EBIT	4,357	4,314
Average capital employed		
Average shareholders' equity	14,075	13,105
Average net financial debt (*)	-	-
Total average capital employed	14,075	13,105
Return on Capital employed	31%	33%

(*) Zero when net cash

Return on Capital Employed by concept:

Concept	2018	2017
Zara (Zara and Zara Home)	28%	30%
Pull&Bear	48%	43%
Massimo Dutti	36%	37%
Bershka	50%	57%
Stradivarius	50%	44%
Oysho	40%	45%
Uterqüe	11%	12%
Total	31%	33%

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2018 results by quarter.

Issues relating to sustainability and employees

See Annex IV "Non-financial information and information on diversity".

Liquidity and capital resources

Inditex continued to show a strong financial position in 2018.

	31 January 2019	31 January 2018
Cash & cash equivalents	4,866	4,931
Short term investments	1,929	1,472
Current financial debt	(84)	(12)
Non current financial debt	(5)	(4)
Net financial cash (debt)	6,705	6,387

The operating working capital position remains negative as a result of the business model. Inventory grew 1% in FY2018.

	31 January 2019	31 January 2018
Inventories	2,716	2,685
Receivables	820	778
Payables	(5,251)	(5,057)
Operating working capital	(1,715)	(1,594)

Cash from operations increased 2% to EUR 4 billion.

Ordinary capital expenditure for FY2018 amounted to EUR 1.5 billion, 2% lower than the prior year. Extraordinary capex came to EUR 109 million.

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 in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2019.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 19 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

As detailed in Note 24 to the consolidated annual accounts, the most significant contractual obligations related to future minimum payments under non-cancellable operating leases.

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2019, the amount of which is included in the figure for capital expenditure detailed under "Information on the outlook for the group".

Main risks and uncertainties

To facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organization as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the fulfilment of the business objectives".

The risks reviewed are classified and grouped in the following categories:

1. Business environment

Risks 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 regard, geo-political, demographic and socio-economic changes in countries, in which procurements or retail sales are made or a downturn in demand in certain markets, and which trigger country risk, constitute inter alia, factors that might have an adverse effect on the optimum achievement of the Group's business objectives.

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.

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 out its business activities.

The risks included in this category include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual and industrial property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk (including potential perpetration of crimes related to corruption, fraud and bribery), regardless of whether or not they determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

General Counsel's Office - Compliance Office supervises and manages the Inditex Group's regulatory compliance system to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor corporate best practices.

Although there is currently some uncertainty surrounding the date of entry into force of article 50 of the European Union Treaty, through which the United Kingdom would leave the European Union (Brexit), as well as future occurrences in this regard, a no-deal Brexit would entail changes in the regulatory framework within which the group operates in the UK, as well as in trade relations between the United Kingdom and the EU, as it would then be governed by the rules of the World Trade Organisation (WTO). This would mean that cross-border trading will be subject to customs controls and customs duty.

Among the main Brexit risks for the Group, we have identified potential delays in the transit of goods, economic impacts resulting from the imposition of customs duty and from currency fluctuations, potential restrictions on the free movement of individuals, as well as those arising from contractual risks or from management of key third parties.

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 on social networks, and any other potential regulatory breach that might have an impact on the Organization's reputation.

4. Human resources

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

5. Operational

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing 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 the broadest sense, both in the interaction with customers and the improvement of operating 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. The clothing, footwear, accessories and household products of all the concepts are distributed from logistics centres located throughout Spain. Logistics distribution is complemented by other smaller logistics centres located in other countries and with third-party logistics operators that 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 and the profitability thereon. Furthermore, the relationship with certain supplies of goods and providers of services is subject to certain risks that are not directly under our control and which could have an impact on the normal performance 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, inter alia, 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 functional 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 functional currency, i.e. in the Euro, 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 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 or debit 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 invest the company's cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

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 Planning Management and Control and the Administration Departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

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

9. Corporate governance

This category includes the risk relating to the possibility of inadequate Group management arising from possible breach by the management team or members of the Board of Directors of the standards, recommendations or best practices that exist in issues of Corporate Governance, of the transparency regulations of the supervisory authorities, or even the lack of professional ethics in management.

Risk management at the Group is a process promoted by the Board of Directors and Senior Management and is the responsibility of each and every member of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, furnishing shareholders, other stakeholders and the market in general 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. This Policy is enforced on the entire Group and forms the basis for an Integral 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:

- Investment Policy.
- External Financing Policy.
- Payment Management Policy.
- Financial Risk Management Policy.
- Insurable Risks Management Policy
- Code of Conduct and of Responsible Practices.
- Criminal Risk Prevention Policy.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- Corporate Social Responsibility Policy.
- Code of Conduct of Manufacturer and Supplier.
- Health and Safety Policy.
- Environmental Sustainability Policy.
- Information Security Policy.
- Purchasing and Contracting Policy.
- Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisers Communication and Relations.
- Policy and Procedure for Representatives and Attorneys.
- Policy on Human Rights.
- Diversity and Inclusion Policy
- Compliance Policy.
- Tax Strategy and Tax Policy.
- Prevention of Money Laundering and Financing of Terrorism Policy.

For further details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2018.

Significant events after the reporting period

No significant events have occurred since the reporting date.

Information on the outlook for the Group

Store and Online sales in local currencies increased 7% from 1 February to 9 March 2019.

In FY2019 Inditex estimates gross space growth in prime locations between 5%-6%. In the year, Inditex expects to open c.300 stores with the selective absorption of c.250.

Management estimates like-for-like sales growth of 4%-6% in FY2019.

Zara will launch online sales in Brazil in March. In May, Zara expects to launch online sales in Dubai, Egypt, Indonesia, Israel, Lebanon, Morocco, Saudi Arabia, Serbia and UAE.

Ordinary capital expenditure in FY2019 will be approximately EUR 1.4 billion driven mainly by the addition of new space in prime locations during the year. Ordinary capital expenditure is expected to grow below space growth in the coming years.

IFRS 16

Inditex will start applying the IFRS 16 standard in FY2019. While this standard will produce presentation changes in the financial statements it does not affect the cash flow or business.

IFRS 16 requires all leases to be reported on a company's balance sheet as assets and liabilities subject to some criteria and assumptions.

The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges. Variable rental expenses will remain in the rental expenses line.

As of today, under current estimates IFRS 16 will result in an increase in FY2019 net income of 2%-4% over former IAS 17, and lease liabilities of EUR 6.5- EUR 6.9 billion.

Inditex will provide further information in due course for you to take into consideration regarding the 1Q2019 results, the first to be released under IFRS 16.

R&D+I activities

The Inditex Group generally does not carry out research and development projects, which are defined as projects, other than those involving the design of garments, accessories, household products or certain logistical activities, in which amounts are invested over several years to develop assets on which a return is expected over multi-year periods.

Since its inception, the Group has been run with the help of the technology available in all areas of activity in order to improve manufacturing and distribution processes, and by developing in-house or third-party tools to facilitate the management of the business. Some examples of this are point-of-sale terminals, inventory management systems, distribution centre delivery systems, systems for communications with stores and in-store garment labelling systems.

Acquisition and sale of treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("the 2016-2020 Plan") (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 31 January 2019, the Parent owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Accrual of the first cycle (2016-2019) of the 2016-2020 Long-Term Incentive Plan took place on that date. Settlement of the share-based incentive will take place in the month following publication of the 2018 annual accounts.

Other salient information

Stock market information

The Inditex share price closed 2018 at EUR 24.35 per share on 31 January 2019. The average daily trading volume was approximately 6.8 million shares. In the same period, the Dow Jones Stoxx 600 Retail fell by 13% while the Ibex 35 registered a decrease in value of 2%.

Inditex's market capitalization stood at EUR 75,890 million at the end of the period, up 728% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 6% decrease in the Ibex 35 index in the same period.

The dividend for 2017 totalling EUR 0.75 per issued share was paid in May and November 2018.

Dividend policy

The Group's policy consists of the payment of dividends equivalent to 60% of the net profit generated in the year as an ordinary dividend and the possibility of a bonus dividend.

Inditex's Board of Directors will propose at the Annual General Shareholders' Meeting a dividend of EUR 0.88 per share, representing an increase of 17.3% in relation to the dividend approved in 2017, comprising an ordinary dividend of EUR 0.66 per share and a bonus dividend of EUR 0.22 per share. Of said amount, EUR 0.44 would be payable on 2 May 2019 as an interim ordinary dividend and EUR 0.44 would be payable on 4 November 2019 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2018 reached EUR 2,335 million.

Other disclosures

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2018 that substantially affected its financial position or results.

The following table shows the information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual Corporate Governance Report

The Annual Corporate Governance Report for 2018 is available at www.inditex.com and was published in the section on Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 13 March 2019.

Non-financial information and information on diversity

The non-financial information and information on diversity of the Inditex group is attached as Annex IV to this document.

Alternative performance measures

The gross profit, EBITDA, EBIT, ROCE, ROE, working capital and financial position are defined in the initial note to the consolidated annual accounts for 2018.

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.

Annex II

Income statement: FY2018 quarterly results:

	2018 Quarterly results			
	Q1	Q2	Q3	Q4
Net sales	5,654	6,372	6,412	7,708
Cost of sales	(2,326)	(2,882)	(2,534)	(3,586)
Gross profit	3,328	3,490	3,877	4,121
	58.9%	54.8%	60.5%	53.5%
Operating expenses	(2,194)	(2,265)	(2,280)	(2,589)
Other net operating income (losses)	(9)	(6)	(8)	(7)
Operating cash flow (EBITDA)	1,125	1,218	1,589	1,525
	19.9%	19.1%	24.8%	19.8%
Amortisation and depreciation	(273)	(286)	(303)	(239)
Operating income (EBIT)	851	933	1,286	1,287
	15.1%	14.6%	20.1%	16.7%
Financial results	7	15	(9)	4
Results from companies consolidated by equity method	8	10	13	24
Income before taxes	866	957	1,290	1,315
Taxes	(197)	(216)	(259)	(308)
Net income	669	741	1,031	1,006
	11.8%	11.6%	16.1%	13.1%
Minorities	2	-	1	1
Net income attributable to the controlling company	668	741	1,029	1,006
	11.8%	11.6%	16.1%	13.1%

The consolidated financial reporting for the first quarter of 2018 and first half of 2018 did not contain the aforementioned hyperinflation adjustments, given that, at the time of preparation, Argentina was not considered to be a hyperinflationary economy. See further information in note 2.1 iv Financial Statements in hyperinflationary countries.

Annex III

Detail of stores by concept and market as at 31 January 2019

Market	Zara	Zara Kids	Zara Home	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Uterqüe	INDITEX
ALBANIA	1	-	1	1	1	2	2	-	-	8
GERMANY	77	-	15	11	17	14	-	-	-	134
ANDORRA	1	-	1	1	1	1	1	1	1	8
SAUDI ARABIA	42	-	8	17	14	32	47	17	5	182
ALGERIA	1	-	1	1	-	2	2	1	-	8
ARGENTINA	11	-	-	-	-	-	-	-	-	11
ARMENIA	2	-	1	2	2	2	2	1	-	12
ARUBA	1	-	-	-	-	-	-	-	-	1
AUSTRALIA	19	-	2	-	-	-	-	-	-	21
AUSTRIA	13	-	5	4	3	7	-	-	-	32
AZERBAIJAN	3	-	-	2	3	3	2	1	-	14
BAHREIN	2	-	1	1	2	1	1	1	-	9
BELGIUM	32	-	8	9	20	13	-	3	-	85
BELARUS	2	-	1	2	1	2	2	1	-	11
BOSNIA	3	-	-	3	-	3	3	-	-	13
BRAZIL	57	-	15	-	-	-	-	-	-	72
BULGARIA	7	-	-	6	6	8	6	6	-	39
CANADA	32	-	2	-	8	-	-	-	-	42
CHILE	9	-	3	-	-	-	-	-	-	12
MAINLAND CHINA	179	-	50	69	87	66	49	88	1	589
HONG KONG SAR	14	-	2	6	3	6	2	2	-	35
MACAO SAR	2	-	1	1	2	1	1	1	-	9
TAIWAN, CHINA	9	-	2	3	5	3	-	-	-	22
CYPRUS	7	-	5	6	7	7	7	5	-	42
COLOMBIA	14	-	4	9	5	13	12	4	-	61
SOUTH KOREA	42	-	6	3	8	4	-	4	-	67
COSTA RICA	2	-	1	2	1	2	2	1	-	11
CROATIA	10	-	2	7	4	10	7	3	-	43
DENMARK	4	-	1	-	1	-	-	-	-	6
ECUADOR	2	-	-	3	1	3	3	1	-	13
EGYPT	6	-	4	6	5	6	5	4	-	36
EL SALVADOR	2	-	-	2	-	2	2	1	-	9
UAE	11	-	8	8	8	9	6	8	2	60
SLOVAKIA	3	-	-	3	1	5	4	-	-	16
SLOVENIA	5	-	-	2	1	4	4	-	-	16
SPAIN	304	107	136	210	183	201	283	177	34	1,635
UNITED STATES	98	-	-	-	3	1	-	-	-	102
ESTONIA	3	-	1	1	2	1	1	-	-	9
PHILIPPINES	7	-	-	2	2	4	4	-	-	19
FINLAND	6	-	-	-	1	-	-	-	-	7
FRANCE	123	-	22	38	19	52	24	12	-	290
GEORGIA	3	-	1	1	3	2	2	1	-	13
GREECE	41	6	10	25	13	30	21	19	-	165
GUATEMALA	3	-	1	3	1	3	3	2	-	16
NETHERLANDS	29	-	8	11	6	18	6	-	-	78
HONDURAS	2	-	1	2	1	2	2	1	-	11
HUNGARY	8	-	2	8	3	9	7	2	-	39
INDIA	22	-	-	-	3	-	-	-	-	25
INDONESIA	17	-	3	14	5	9	15	4	-	67
IRELAND	9	-	-	3	2	6	4	-	-	24
ICELAND	1	-	-	-	-	-	-	-	-	1
ISRAEL	25	-	2	24	3	17	8	-	-	79
ITALY	101	-	33	56	8	67	84	41	-	390
JAPAN	94	-	18	-	-	26	9	-	-	147
JORDAN	3	-	2	2	3	1	4	2	1	18
KAZAKHSTAN	5	-	4	5	4	6	6	5	1	36
KUWAIT	6	-	4	3	3	4	3	4	2	29
LATVIA	3	-	-	2	2	2	1	-	-	10
LEBANON	7	-	5	5	6	8	7	6	1	45
LITHUANIA	5	-	2	4	5	4	4	1	-	25
LUXEMBOURG	3	-	-	1	1	-	-	-	-	5
MACEDONIA	1	-	-	1	1	1	1	-	-	5
MALAYSIA	10	-	-	4	5	2	-	-	-	21
MALTA	1	-	3	3	1	1	1	1	-	11
MOROCCO	5	-	4	2	3	3	7	3	1	28
MEXICO	88	-	28	67	40	75	48	53	15	414
MONACO	1	-	-	-	-	-	-	-	-	1
MONTENEGRO	1	-	-	1	-	1	1	1	-	5
NICARAGUA	1	-	-	1	-	1	1	-	-	4
NORWAY	5	-	-	-	1	-	-	-	-	6
NEW ZEALAND	1	-	-	-	-	-	-	-	-	1
OMAN	1	-	1	-	-	1	-	1	-	5
PANAMA	3	-	1	2	1	2	2	2	-	13
PARAGUAY	1	-	1	-	-	-	-	-	-	2
PERU	4	-	3	-	-	-	-	-	-	7
POLAND	45	-	14	33	29	50	55	19	4	249
PORTUGAL	71	15	28	50	41	48	44	36	6	339
PUERTO RICO	3	-	-	-	-	-	-	-	-	3
QATAR	6	-	5	5	4	5	4	5	3	37
UNITED KINGDOM	63	-	12	8	13	6	6	-	-	108
CZECH REPUBLIC	6	-	1	4	3	5	5	1	-	25
DOMINICAN REPUBLIC	3	-	2	1	2	2	2	2	-	14
ROMANIA	23	-	6	23	10	25	23	10	1	121
RUSSIA	98	-	46	87	53	99	83	68	13	547
SERBIA	7	-	3	5	4	5	5	4	-	33
SINGAPORE	9	-	-	3	5	3	1	-	-	21
SOUTH AFRICA	9	-	1	-	-	-	-	-	-	10
SWEDEN	11	-	4	1	4	-	-	1	-	21
SWITZERLAND	20	-	4	4	8	6	-	1	-	43
THAILAND	12	-	2	3	4	1	-	1	-	23
TUNISIA	3	-	1	2	1	3	3	2	-	15
TURKEY	43	-	24	34	28	35	35	29	-	228
UKRAINE	9	-	2	14	6	14	12	7	1	65
URUGUAY	2	-	2	-	-	-	-	-	-	4
VENEZUELA	8	-	-	5	-	9	-	-	-	22
VIETNAM	2	-	-	1	1	-	1	-	-	5
INDITEX	2,131	128	603	974	766	1,107	1,011	678	92	7,490

Annex IV

STATEMENT ON NON-FINANCIAL INFORMATION

INDITEX GROUP

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Note: unless otherwise stated, all the amounts included in this Annex are expressed in euros

TEN FAST FACTS ABOUT INDITEX

1. Inditex is a young company with generational diversity: 62% of the employees are aged 30 or less, and the average age of employees is 28.7 years. Stores are the heart of Inditex: 87% of all Group employees work at stores. In this regard, all areas of the Group are at the service of an integrated platform of stores and online sales in 202 markets with a network of 7,490 physical stores in 96 markets and 156 markets with online store through its eight formats (Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe).
2. Inditex is a woman-dominated company: female employees represent 75% of the workforce (174,386) and 79% of management positions.
3. Pay parity is real at Inditex: women are paid 0.8% more than men globally.
4. Inditex's global supply chain comprises 1,866 suppliers in 43 markets who work with 7,235 factories, and are grouped in 12 clusters: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, Cambodia, China, Brazil, Argentina and Pakistan.
5. In 2018, Inditex carried out 2,546 traceability audits; 2,177 pre-assessment audits; 5,359 social audits, and 1,982 special audits, for the purposes of ensuring compliance with Human and Labour Rights of the workers across its supply chain, as well as with the Code of Conduct for Manufacturers and Suppliers.
6. To ensure excellence of its products, Inditex relies on the most exacting product health and safety standards, which apply mandatorily to all the goods it puts on the market: *Safe to Wear* (safety of the product) and *Clear to Wear*, *I+Cosmetics* and *I+FCM* (health of the product). Such standards are permanently reviewed and updated to encompass at all times the latest regulations and chemicals.
7. Inditex is committed to the 2020 Zero Discharge of Hazardous Substances (ZDCH). To achieve this, Inditex has designed three pioneering programmes in the textile industry: *The List by Inditex*, to improve the quality of textile products; *Ready to Manufacture*, to improve the facilities where textile and leather goods are manufactured, and *Picking*, a bespoke inspection and analysis programme aligned with its production and logistics model.
8. Inditex has undertaken that by 2020, 100% of its stores will be eco-efficient. To achieve this, the Group relies on its own Eco-efficient Store Manual where the requirements that stores must meet in terms of construction and waste management are defined. With the new openings and refurbishments in the year, 5,494 Group stores are eco-efficient, 85.68% on total own stores. China is the first market in the world with 100% eco-efficient stores. Thanks to the measures implemented, upwards of 35,000 tons of GHG emissions have been prevented.
9. The most sustainable collections are released under the Join Life labeling programme which play a major role at Inditex: in 2018, 136.32 million Join Life units were offered on the market, 85.13% more than the previous year. In this regard, the number of garments made from organic cotton increased by 75% totaling 102 million. Likewise, 13.91 million garments made from recycled materials were released to the market, which represents a 284.7% increase. All Group brands include Join Life garments to their collections.
10. Inditex has been ranked for the third straight year as the most sustainable retail company by the Dow Jones Sustainability Index (DJSI), having scored a total of 68 points out of 100, putting it 45 points above the average score in the sector. Inditex has been ranked in the 54th position among the Global 100 Most Sustainable Corporations, disclosed by Corporate Knights, for its economic, environmental, social and governance performance, ahead of the other Spanish companies included in the ranking. Likewise, Inditex is the leader in climate change, according to Carbon Disclosure Project, which highlighted the Group's efforts to reduce GHG emissions.

I. Inditex: Integrated and Sustainable Business Model

Inditex (hereinafter, the “Group”, the “Inditex Group” or the “Company”) is a global fashion retailer present in five continents both in the North and in the South hemispheres.

Its main business consists of offering the latest high quality and highly sustainable fashion trends (apparel, footwear, accessories and textile homewares) at attractive prices, based upon customers’ demands.

The company conducts business through eight commercial formats: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each of them operates based upon store and online model, directly managed, except in certain markets where, for different reasons, business is conducted through franchises.

In order to be able to offer the latest fashion trends at the right moment and with the required quality, Inditex has implemented a flexible and integrated business model, customer oriented and with a strong sustainable approach.

This model is the basis for tackling the challenges of the business environment. The strong competitiveness existing in the sector, driven by new technologies and disruptive innovation defines an environment where consumers’ profile is ever-changing. Additionally, geopolitical, demographic, social and economic changes that trigger the country risk in procurement or distribution countries, or consumption decline in certain markets, as well as abrupt changes in climate cycles likely to affect demand patterns are, inter alia, factors which might have an impact on the effective achievement of the business objectives of the Group.

The expansion policy, the multi-brand format of the Group and the commitment to the full integration of all channels and the use of new technologies as an alternative of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to business environment risks.

A swift life cycle of the products, from their design to the moment they are offered on the market, would not be possible without the integration and flexibility present in all the stages of the value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

Designers and buyers’ teams are customer oriented. Stores and online teams are permanently in touch with the team of designers through the Product Management Department, and this allows perceiving the changes of taste of the customers.

Manufacturing and procurement have been designed pursuant to a mixed model that ensures reasonable flexibility and allows adapting production to market demand. In 2018, 57% of the factories in which the Company has manufactured goods are in proximity, (in countries such as Spain, Portugal, Morocco and Turkey), and the remaining 43% are long-distance. In this way, Inditex maintains the ability to adapt its production or that of its suppliers to the changes in trend during each campaign.

The logistics and distribution system allows continuous shipments to physical and online stores from the logistic center of each format throughout each campaign. Such system mainly operates with centralized logistic centers for each format, where stock is located and from which goods are distributed to physical and online stores worldwide.

The people who work at the Company make the sustained and sustainable development of this model possible: a diverse human group, from 154 nationalities, defined by their creative talent, passion for fashion, teamwork, entrepreneurial spirit, permanent innovation and responsible efforts.

The goal of the Group is to offer fashion goods which conform to the most exacting sustainability and health and safety standards. All the foregoing on the basis of respect and promotion of human rights, transparency and ongoing dialogue with the stakeholders.

Human Rights Strategy of the Inditex Group

The basic premise of Inditex's business model is that all its processes must be sustainable. Inditex understands sustainability as a responsibility that encompasses all the social and environmental aspects associated with its environment, undertaken by all human teams within the Group and shifted across its value chain. To achieve this, Inditex fully endorses the 17 United Nations Sustainable Development Goals towards sustainability and reinforces its commitment to respecting Human Rights, as set out in the United Nations Guiding Principles on Business and Human Rights.

Inditex has willingly adopted formal policies and procedures beyond its corporate culture, which make up Inditex Human Rights Strategy, a part of its business model. Such Strategy relies on three main pillars: Inditex Group's Policy on Human Rights, due diligence and grievance mechanisms.

Backing the implementation of its Human Rights Strategy, it should be noted that Inditex is a participant of Shift's Business Learning Program. Shift is a non-profit organization specializing in Human Rights, led by Professor John Ruggie, the author of the UN Guiding Principles on Business and Human Rights. This leading program in Human Rights involves companies of all sectors willing to work towards implementing the Guiding Principles on Business and Human Rights under the leadership of Shift, a benchmark in the field

The Inditex Group's Policy on Human Rights

The Inditex Group's Policy on Human Rights (hereinafter, the "Policy on Human Rights") was approved by the Board of Directors on 12 December 2016, following favourable reports of the Audit and Control Committee and the Social Advisory Board.

Though the Policy on Human Rights, Inditex undertakes to play an active role in the promotion of Human Rights, and work proactively to respect them. This commitment entails preventing or, if appropriate, reducing the negative impacts that its activities may have on Human Rights. Likewise, Inditex shall do its utmost to prevent or reduce the negative impacts on Human Rights directly related to the proceedings of third parties with whom the Group is engaged in a business relationship.

In the framework of the United Nations Guiding Principles on Business and Human Rights, the Policy on Human Rights defines Inditex's stance regarding its commitment to respect internationally acknowledged Human Rights, and sets out the values and principles which will guide its proceedings. Notwithstanding its commitment to all Human Rights, Inditex has identified those rights directly related to its value chain, based upon the review of its business model and the expectations of its stakeholders.

The Policy on Human Rights, which applies to the whole Group, is binding for the entire workforce. It has been disclosed to all the areas and is available on the Company's intranet and on the corporate website.

Due diligence

The second main driving force behind Inditex's Human Rights Strategy is due diligence. This process entails identifying potential impacts on Human Rights throughout the value chain, to subsequently integrate the findings into the different processes of the Group. Inditex regularly reviews and updates its due diligence processes, using best practices identified both at Company's level and externally, to prepare a global due diligence model.

In this regard, in 2018 progress has been made in due diligence processes of the supply chain, one of the areas where more likely the Company may have a higher impact, and in respect of which Inditex relies on a strong sustainable management system, as addressed in section IV below.

In partnership with Shift, Social Sustainability teams of the countries which take up nearly the entire production of Inditex, have been trained on Human Rights and on the processes inspired by the United Nations Guiding Principles on Business and Human Rights, for the purposes of identifying and prioritizing

potential impacts on human rights and on the different stakeholders. This initiative has helped review and advance the strategy for the sustainable management of the supply chain.

Other relevant areas of the Company have also taken part in due diligence processes in 2018.

Grievance mechanisms

The third pillar of the Inditex Group's Human Rights Strategy are grievance mechanisms, which reinforce due diligence processes assisting with the identification and resolution of potential negative impacts on Human Rights, while promoting the relations with the stakeholders. The main grievance mechanism on which the Group relies on the Whistle Blowing Channel, managed by the Committee of Ethics and available to all the employees and to third parties with a certain lawful interest.

Detailed information on the Committee of Ethics and the Whistle Blowing Channel is provided in section IX below

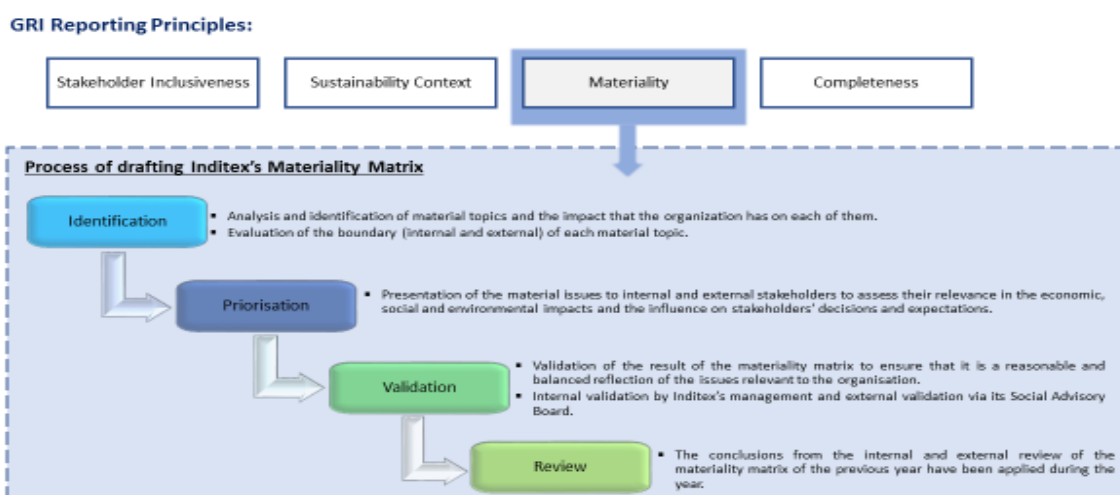
The Inditex Group's Human Rights Strategy is further developed in the following sections.

II. Materiality

Pursuant to the Group's Corporate Social Responsibility Policy, permanent dialogue and transparency are the core principles that govern Inditex's relations with its stakeholders, as defined therein: customers, employees, manufacturers and suppliers, shareholders and the society at large. Getting to know and work with each and every stakeholder, understanding their expectations and meeting them are key to Inditex's strategy.

The Group uses several tools to dialogue with its stakeholders, the materiality analysis being one of the most important ones. Through this analysis, Inditex is able to identify such priorities which allow it to take a step further in building economic, social and environmental value, and which are at the basis of its sustainable strategy, thus ensuring that the requirements of its stakeholders are met, while at the same time business thrives and value is created.

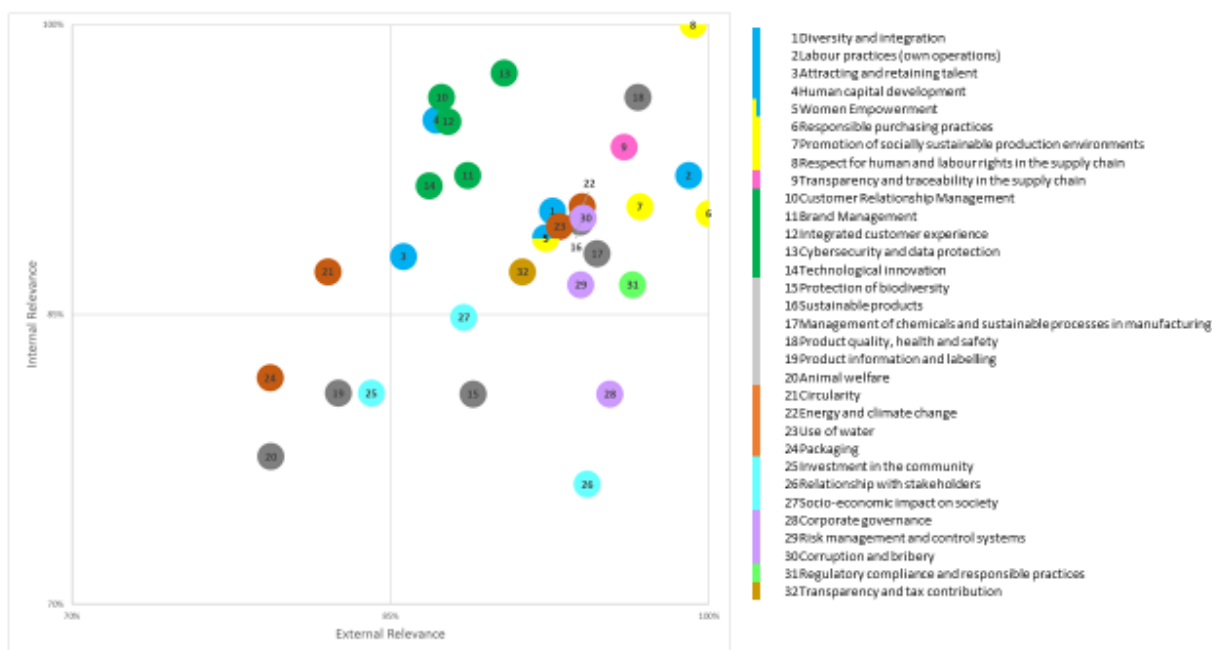
Inditex identifies material topics and determines their boundary based upon the recommendations laid down in Global Reporting Initiative (GRI) standards, namely in "GRI 101: Foundations 2016" standard, which provides that materiality is one of the four reporting principles to draft sustainability reports.



2018 marks the eighth straight year in which such process has been carried out, with the participation of representatives of Inditex's different stakeholders, both internal and external. Likewise, Inditex's Social

Advisory Board plays a key role in such process, as this collegial body, made up of external independent experts, advises the Company in sustainability issues.

As part of the identification process above referred, material topics have been reviewed, with the result that new topics have been included and previous ones are no longer present, having ceased to be considered material this year. The result of such process is a materiality matrix wherein 32 material topics are covered which are, in turn grouped in 10 main areas. These are the priorities upon which Inditex's sustainable strategy is based,



III. Our people

Inditex employs 174,386 people of 154 different nationalities worldwide in 60 markets.

Five key features define Inditex's workforce, the most relevant of which is the presence of a majority of women. 75% of employees are women, versus 25% men. This ratio has been increasingly balancing since 2010.

Employee distribution by gender is shown in the table below:

Gender	No. employees	%
Women	131,385	75%
Men	43,001	25%
TOTAL	174,386	100%

Secondly, Inditex workforce is defined by its generational diversity. Teams within the Company are currently made up of employees of different generations, the youngest groups being the largest. In 2018, 62% of the employees were aged 30 or under, and the average age stands at 28.7 years.

Employee distribution by age is shown in the table below:

Age	No. employees	%
< 30	107,639	62%
30-40	48,709	28%
> 40	18,038	10%
TOTAL	174,386	100%

Thirdly, stores are the heart of Inditex organization. 87% of all Group employees (upwards of 152,000) work at stores. All areas of activity of the Group (factories: approximately 850 employees; logistics: some 10,000 and HQ: more than 11,500 employees) are at the service of an integrated platform of stores and online sales in 202 markets. Inditex has a network of 7,490 physical stores in 96 markets and 156 markets with online store of its eight brands.

Fourthly, international presence is another feature of Inditex workforce. This circumstance enhances people management, as the local reality of each market can be considered, while global management policies are implemented. 28% of the entire workforce is found in Spain with some 48,000 employees. Employee distribution by geographic area and by market is shown in the following two tables.

Employee distribution by geographic area:

Geographic area	No. employees	%
Americas	20,785	12%
Asia & Rest of the World	23,452	13%
Spain	47,930	28%
Rest of Europe	82,219	47%
TOTAL	174,386	100%

Employee distribution by market:

Market	No. employees
Spain	47,930
Mainland China	11,680
Hong Kong SAR	1,252
Macau Sar	181
Taiwan, China	649
Russia	10,365
France	9,414
Italy	8,600
Mexico	7,137
Portugal	7,001
USA	6,267
Germany	5,874
UK	5,486
Turkey	4,896
Poland	4,617
Greece	4,014
Japan	3,979
Romania	2,864
The Netherlands	2,856
Belgium	2,818
Brazil	2,810
Canada	2,466
South Korea	1,514
Switzerland	1,506
Australia	1,504
Austria	1,477
Ukraine	1,326
India	1,227
Croatia	1,078
Hungary	1,067
Argentina	885
Ireland	882
Chile	878
Sweden	833
Serbia	742
Bulgaria	733
Kazakhstan	723
Czech Republic	643
South Africa	548
Norway	383
Bosnia-Herzegovina	360
Uruguay	342
Denmark	335

Slovakia	302
Belarus	298
Finland	269
Slovenia	267
Albania	263
Luxembourg	179
Kosovo	157
North Macedonia	155
Montenegro	123
New Zealand	99
Bangladesh	57
Monaco	36
Morocco	16
Vietnam	13
Cambodia	4
Singapore	4
Pakistan	2
TOTAL	174,386

Fifthly, Inditex's organization is highly horizontal, fully focused on its retailing activity, with flat hierarchy, which favours an open and continuous communication and collaborative work. Approach to job classification is broad, store employees having a relevant weight in such classification. In this regard, workforce distribution by job classification is shown below:

Job classification	No. employees	%
Manager	7,601	4%
Supervisor	20,350	12%
Specialist	146,435	84%
TOTAL	174,386	100%

Diversity, inclusion, equality and work-family balance

Diversity and Inclusion Policy

Diversity, multiculturalism and respect are values deeply ingrained in Inditex culture. The company seeks to have a diverse, creative and inventive staff, with employees being part of dynamic talented teams, which accept them as they are, regardless of their race, ethnicity, gender, gender identity, sexual orientation, age, religious beliefs or nationality, or any other essential feature or trait.

Inditex is aware that creating and promoting a diverse and inclusive working environment is an essential contribution to the achievement of its corporate goals and to a better business performance. For such reason, the Board of Directors approved in December 2017 the Diversity and Inclusion Policy, which provides the framework that promotes the values of diversity, multiculturalism, acceptance and integration within all the Company's entities.

Diversion and equal opportunities without any form of discrimination are actively encouraged in the company's Diversion and Inclusion Policy and the Code of Conduct and Responsible Practices.

Endorsed and driven by the Company's Senior Management the Diversity and Inclusion Policy reinforces Inditex's commitment to creating working environments in which all employees have a responsibility to treat their coworkers, as well as any candidates, suppliers, contractors and customers, with the utmost respect. Inditex maintains a zero tolerance policy against any form of discrimination and promotes equal opportunities in all the areas of the Company.

The Diversity and Inclusion Policy applies to all human resources proceedings of the Company, such as recruitment and selection, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other disciplinary actions.

The notions of diversity and inclusion encompass values which are essential for Inditex, arising from the Code of Conduct and Responsible Practices, which can also be found in its Policy on Human Rights.

Additionally, Inditex relies on a Committee of Ethics and a Whistle Blowing Channel to ensure compliance with the Diversity and Inclusion Policy and to receive and address all the comments, doubts or complaints made in good faith, regarding the construction, application or enforcement of the Policy. Further information on the Committee of Ethics and the Whistle Blowing Channel can be found in section IX below.

Gender equality

In terms of equality, the Company is developing initiatives that seek to instill gender equality as an essential part of its corporate culture. In fact, women play a significant role at Inditex, as they represent 75% of employees and 79% of management positions.

In Spain, equality plans already subscribed by the different Group companies, as well as those which are currently being negotiated, include measures that affect different areas of industrial relations, such as selection, recruitment, promotion, training, health at work, remuneration and work-family balance. Such measures seek to prevent gender inequality and foster equal opportunities. Monitoring committees charged with follow-up on such plans meet twice a year to establish whether such measures have been observed and are effective. Likewise, each of such plans include action protocols against sexual and gender-based harassment, negotiated within the negotiation committees of the Plans. On the other hand, Inditex ratified in 2006 the *EQUAL Diversidad Activa* (Active Diversity) project co-financed by the European Union and directed by the Spanish Coordinator of the European Women's Lobby and Fundación Carolina.

In addition, Inditex is strongly committed to recruiting victims of violence against women. Thus, in 2013, the Inditex Group and the Ministry of Health, Social Services and Equality of Spain executed a partnership agreement to promote awareness-raising in the field of violence against women, and job placement for victims. Likewise, the *Salta!* Project, which aims at improving the employability of young people in vulnerable situations, also extends to victims of domestic violence. *Salta!* Project has been implemented in Spain, France, Italy, Greece, Germany, UK, Poland, Portugal, Mexico, Brazil, USA, and since 2018 in South Korea and Turkey.

In addition to equality plans already implemented in Spain, in 2018 Inditex subsidiaries have begun implementing work plans that promote gender diversity, specifically through gender equality certification.

In 2018 our Belgian subsidiary was certified by GEEIS (Gender Equality European and International Standard), a standard that recognizes companies that promote equality of men and women at work and helps define opportunities for improvement regarding promotion of gender equality in the workplace.

Likewise, Inditex joined in January 2019 *Closing Gap*, a business cluster that seeks to reduce the different gender gaps in our society and to move towards better corporate practices in gender diversity.

Inclusion of disabled employees

The Company is committed to complying with the principles of universal accessibility, namely for employees and customers with any kind disability.

Ensuring that all the Group's work centers meet the functional and size requirements that allow an independent use by disabled people or people with impaired mobility is a priority at Inditex.

All work centers of the Company are designed to allow accessibility and usability to all individuals, promoting independence of disabled people, through the necessary adjustments to adapt the job to their conditions and requirements, thus promoting equal opportunities.

Regarding work centers which require specific adjustments for mobility purposes, or for the purposes of addressing any other sensory, visual or hearing limitations, the Company is strongly committed to carrying out the required technical adaptations.

In terms of employees, Inditex is strongly committed to meeting the requirements of applicable laws on employability of disabled people, and the number of workers with functional diversity who join the Company increases every year.

At 2018 year-end, in accordance with measured data available to the Group, a total number of 1,498 disabled people have been directly employed by Inditex, and alternative measures have been implemented that account for 186 workers. In this regard, as the regulatory framework of the markets where the Company is present is not standardized, it is not always possible to speak of comparable regulations to Spanish ones, whether on account of absence of minimum recruitment quota or of strict respect for privacy, the right of citizens not to disclose their disability prevailing. Therefore, in many cases the Company has no measured data available.

Besides Spain, where the society is very aware of the need for employment integration of people with disabilities, action plans have been launched in other countries, such as France and Uruguay, with different social agents, from trade unions to specialists in employability of disabled people, to improve their access to employment.

An example of such initiative is the "*for&from*" programme, founded on the creation of a network of social franchises of different Group formats managed by non-profit organizations and staffed wherever possible by people with disabilities. The Group currently has 14 "*for&from*" stores. All profits generated therein are fully reinvested in social projects of the community organizations that manage them.

LGBT+ inclusion

For the purposes of tackling discrimination against the LGBT+ (Lesbian, Gay, Bi, Trans, & Intersex) people in the workplace, Inditex supports since June 2018 the United Nations' LGBTI Standards of Conduct for Business. The Standards, produced in collaboration with the Institute for Human Rights and Business, build on the UN Guiding Principles on Business and Human Rights and reflect the input of hundreds of companies across diverse sectors.

Likewise, at international level, Inditex has been a member since 2016 of *Open for Business*, a coalition of leading global companies that advocate for the rights and inclusion of the LGBT+ Community. From this international platform, we work alongside a number of companies to prove that successful, enterprising businesses thrive in diverse, inclusive societies and that companies that promote LGBT+ inclusion are more dynamics, productive and groundbreaking.

In Spain, Inditex joined in 2018 REDI, *Red Empresarial de Diversidad e Inclusión LGBT+*, committed to promoting an inclusive environment within organizations and fostering appreciation of talent of employees regardless of their gender identity, gender expression and sexual orientation. Together with the remaining members, Inditex advocates for raising awareness among its employees to break stereotypes that may hinder the full integration of LGBT people into the labour market.

Work-family balance

Inditex encourages measures that seek to facilitate work-family balance, especially advocating for a co-responsible model. Equality plans negotiated within the Group are the appropriate instruments to establish measures aimed at achieving such goal: considering co-responsible parenting a right and a duty.

In this regard, from the approval of the first equality plans to the latest one, new measures have been added, not only to favour work-family balance among our people, but also to encourage co-responsible parenting. Indeed, the latest equality plan subscribed includes specific measures regarding this issue, such as, without limitation, the right for male employees who have had a child to extend parental leave in two additional days provided that they enjoy two-week leave further to the assignment of part of the maternity leave entitlement, or the possibility for fathers to arrange flexible working hours within four months of the birth of their child. In 2018, more than 2,000 employees were on parental leave and 99.3% of them were reinstated to their job. Additionally, 16% of employees in Spain work part-time for children caring.

At international level, the Inditex Group also encourages flexibility of working hours through policies on work-family balance. In neighbouring countries, such as Italy or France, different measures have been taken focusing on quality of life at work to develop talent, improve creativity and motivate employees. There is an actual commitment to examine the organization and working conditions of employees, considering diversity of working hours as well as any particular situation to ease the plight on a case-by-case basis. Thus, steps have been taken to favor flexibility of working hours allowing employees with children under two years of age, to arrive home earlier; use of night work and Sundays work is limited exclusively to a tight timetable, with the option to work such shifts being voluntary. With regard to career development, certain measures are provided to prevent that maternity and/or paternity leaves, as well as any other family-related leaves hinder the professional life of employees.

Implementation of disconnection policies

Further to passing of Organic Act 3/2018, of 5 December on Personal Data Protection and Guarantee of Digital Rights, Inditex is fully committed to encouraging an internal policy that ensures all its employees worldwide the right to digital disconnection in the workplace.

Pursuant to the terms of the Act, the above referred policy shall seek to ensure respect for the employees' rest time, leaves and holidays, as well as for theirs and their families' privacy. At the same time, exercise of this right will encourage balancing work, family and private life, always in line with existing individual and/or collective bargaining agreements in force.

Such policy shall specify the arrangements for the exercise of such right to disconnection as well as staff training and awareness-raising activities for a reasonable use of the technological tools made available to employees, which includes a good use of technological disconnection.

Subject to Inditex's commitment at corporate level, a number of initiatives stemming from social negotiation have already been launched within the Group. One of such initiatives is the inclusion in Massimo Dutti's II Equality Plan of the right to digital disconnection, which will be covered in the negotiations of any successive equality plans of the remaining Group companies, for the purposes of agreeing with the employees equality-driven measures.

Moreover, Inditex has been promoting these policies in countries such as France, a pioneer in the field, that currently champions digital disconnection associated with the improvement of work-family balance. To achieve this, employees are encouraged, through a friendly policy, to take up new habits aimed at respecting theirs and their coworkers' rest time at the workplace and during their holidays, and to promote direct communication among coworkers as one of Inditex's corporate values.

Employment

Continuous improvement in employment quality is a priority target for Inditex. As stated above, the Company operates in many markets, all with different realities. This demands local and global responses for the employees, with the goal of allowing stable, uniform and quality working environments, in each of the markets where Inditex is present.

73% of the Group employees have an permanent contract. The different types of employment contract by gender, age and job classification are shown in the tables below:

Distribution by gender	Permanent	Temporary
Women	74%	26%
Men	71%	29%
TOTAL	73%	27%

Distribution by age	Permanent	Temporary
< 30	63%	37%
30-40	86%	14%
> 40	93%	7%
TOTAL	73%	27%

Distribution by job classification	Permanent	Temporary
Manager	90%	10%
Supervisor	88%	13%
Specialist	70%	30%
TOTAL	73%	27%

With regard to working hours, 51% of employees work full time and 49% part time. The distribution of full-time and part-time employees reflects a situation directly associated with the retail sector, where work is often combined with other activities, mainly studies. Employee distribution between full-time and part-time employees, based upon gender, age and job classification is shown below:

Distribution by gender	Part-time
Women	51%
Men	43%
TOTAL	49%

Distribution by age	Part-time
<30	58%
30-40	41%
> 40	27%
TOTAL	49%

Distribution by job classification	Part-time
Manager	2%
Supervisor	9%
Specialist	57%
TOTAL	49%

As stated above, the average number of employees in Spain at 2018 year-end was 47,930; out of them, 74% are women and 26% men.

During the period, dismissal accounted for 954 of leavers in Spain. If we take this gender-disaggregated figure, it mirrors almost the same gender proportion of the staff, given that the number of female employees dismissed was 721 (76%) versus 233 men (24%). With regard to dismissal by job classification and age, upwards of 75% dismissed employees correspond to Specialists (in accordance with the above-referred classification), both at stores and at headquarters, own factories and logistics centers, and nearly half of them (52%) correspond to the 30-40 years age range, the one with the highest number of employees in Spain. Again, this proportion is consistent with the distribution of the workforce in our country, where the Company's corporate services are based. Thus, the average age of employees is slightly higher than in the rest of the world, where the stores have a higher weight, and therefore, the presence of employees under 30 years is higher.

In global terms, the average headcount at year-end being 174,386, the number of dismissed employees stood at 8,661. Out of them, the number of dismissed female employees was 6,134 (71%) versus 2,527 men (29%). Once again, this figure is consistent with the distribution by gender of the workforce. As for dismissals by job classification and age, 89% correspond to Specialists and 75% correspond to employees aged 30 or less. This age bracket is the one where 62% of the Group's employees are found, since business outside Spain is mainly focused on the stores, where staff is younger.

Training

One of the main pillars of staff management at Inditex revolves around career development of its employees. The strategies to attract, develop and commit talent are at the basis of a motivating environment in which to continue growing on a daily basis. In this regard, training is one of the main levers.

Inditex's culture is mostly practical, which determines that teams' training is essentially the so called on-the-job training. Therefore, Inditex's policy is strongly based on a model of internal training. Inditex identifies and maintains a network of internal trainers that convey the Company's culture and operations, to ensure the success of all new employees.

At stores, training focuses on three main types of contents: reinforcing product knowledge, store processes and customer-based initiatives. In addition, cross-cutting contents are also included, such as health and safety at work or diversity and inclusion.

Regarding people with responsibilities over teams, their training is focused on both technical issues and people's management.

With regard to the tools that the Company uses, *ON Academy* is an e-Learning platform for store employees of all the formats which has been launched in 2017. At year-end, such platform was present in 11 markets (Spain, UK, Ireland, USA, France, Italy, Germany, Mexico, Romania, Greece and Portugal), available to upwards of 105,000 employees on average.

Inditex's main training projects based upon groups of individuals are set out below:

- Training for store employees
 - Sales assistants:
 - *Onboarding*: Virtual reality on-boarding is an experience launched in 2018 to welcome new store employees so that they become familiar with the Group and with store operations. More than 1,000 new employees have tried it at the Talent Centres in Madrid, Barcelona, Milan and Beijing.
 - Product:
 - *eFASHION*: this training programme on comprehensive management of the fashion business, designed with IED Madrid (*Istituto Europeo di Design*), has allowed training 998 people throughout its different editions, in Spain, France and Italy, since it was launched in 2012.
 - *Versus*: a game about the fashion world launched in 2017 which has continued in 2018. Upwards of 22,750 employees of all the Group's formats in 23 countries have played such game competing in an individual ranking and also in a ranking per teams, based upon their knowledge on the product and on the fashion world in general.
 - Languages: *busuu* is an app for mobile devices that offers employees the opportunity to learn up to 12 languages. Launched in 2017 in 19 markets, *busuu* is currently available in 53 subsidiaries worldwide. More than 58,000 individuals have registered in its last edition and are improving their language skills, the most learned languages being English and Spanish. Upwards of 4,500 people have obtained at least an official certificate, and near 17,000 individuals have taken the English course at the stores, custom-made for Inditex.
 - Store managers: In addition to the programmes above that focus on languages and product, our store managers also rely on *A Medida*: a training scheme to develop people management skills addressed to store managers. Between 2017 and 2018, more than 2,000 individuals were trained in Europe and North America to improve skills such as communication, motivation, organization, delegation, results orientation or the ability to give feedback. Training is run by internal trainers and consists of practical and experimental workshops, of approximately two hours for each skill. Groups are small which permits interaction of all participants, and the contents of the workshops is close to the professional reality of our stores.
- Training for structural teams:
 - *Advanced Management Program (AMP)*: this is a development programme designed in partnership with *Instituto de Empresa (IE)*, addressed to 60 employees of different profiles, which seeks to complete their training on management and retail. The duration of the programme is 13 months. The first edition of AMP ended in October 2018.

From 1 February 2018 through 31 January 2019, more than 2,700,000 training hours have been provided in the scope of plans addressed to the different groups which make up Inditex. 146,446¹ people received training in the year.

Job Classification	Training hours	Number Participants
Manager	98,282	9,044
Supervisor	253,276	19,124
Specialist	2,400,265	118,278
TOTAL	2,751,823	146,446

Social relations

Inditex is strongly committed to respecting its employees' labour rights in the entire world, namely their right to participation as a key element for the sustainable development of the business model.

As evidence of such commitment, Inditex entered in 2009 into a Global Agreement with UNI Global Union (hereinafter, "UNI"), a federation of trade unions of different services sectors, including trade and distribution, for the purposes of respecting and promoting fair work and labour rights. At present, some 900 trade unions are members of UNI worldwide, and upwards of 20,000,000 workers are represented.

The Agreement between UNI and Inditex includes specific provisions regarding a number of issues governed pursuant to the principles set by the International Labour Organization (hereinafter, "ILO"):

- Special mention is made therein to the enforcement of ILO Conventions 87, 89 and 98 that focus on ensuring freedom of association and the right to collective bargaining, as in the terms of the Agreement: "*Inditex recognizes the right of trade unions to represent the workers and to collectively bargain the working conditions that affect them*".
- Likewise, the freedom to join any trade unions and non-discrimination on account of membership in a trade union as part of employment relations is also ensured. Additionally, pursuant to ILO Conventions 100 and 110 and based upon non-discrimination at work, equal opportunities and equal treatment for all people and non-discrimination in terms of remuneration for equal jobs are upheld.
- Inditex is committed to complying with applicable national laws and/or conventions, in furtherance of ILO Conventions 1 and 147 and of ILO Recommendation 116.

The subjective scope of the Agreement with UNI includes both Industria de Diseño Textil, S.A. and all its subsidiaries, regardless of the country where their business is conducted. This means that it applies to the Group's entire workforce.

As for the objective scope of the Agreement with UNI, in addition to the reference to the protection and promotion of the fundamental rights, Inditex is committed to meeting the requirements laid down in national laws and in national collective bargaining agreements regarding working hours, protection of a safe, healthy and sustainable working environment, and promotion of best practices for occupational health and safety with the appropriate equipment and training.

¹ 40% of total training hours corresponds to induction *on the job training* at the stores. Different criteria established by country and format for the various positions are used to estimate such training:

The Agreement between Inditex and UNI covers minimum rights for the employees of the various companies within the Group, as at any rate, such provisions, whether statutory, contractual or included in a collective bargaining agreements which confer higher rights will always be observed.

Further to the above referred Agreement between Inditex and UNI, United Food and Commercial Workers International Union (hereinafter, "UFCW"), a US union and member of UNI, was interested in reaching a specific agreement with the Company covering the terms of the above referred Agreement for the stores in the USA.

In 2015 UNI, UFCW, Inditex and Zara USA executed an Agreement which originated in a pilot test put in place at the Zara NY 42nd Street store. A collective bargaining agreement was subsequently approved in September 2016 for such store, which is currently in effect at all the stores in Manhattan. Social dialogue continues throughout 2018, and negotiations are in course to extend such collective bargaining agreement globally across the USA.

With regard to the company's internal regulations, Chapter 3 headed "General Principles" of the Code of Conduct and Responsible Practices, enforced on all Group employees, addresses respect for union relations and rights, as it provides: "*The employees of Inditex have their right recognised to associate or organise themselves or to bargain collectively*", Additionally, pursuant to section 4,2 of the Code: "*Inditex makes its own, as part of its internal regulations, the contents of any national and international agreements and conventions to which it has adhered, and undertakes to promote and enforce them*".

Inditex and the trade unions that represent its employees are engaged in a continuous, open and constructive dialogue, as evidenced by the relevant number of queries and bargaining carried out throughout the year on different issues, as well as the periodic meetings and sessions scheduled by Inditex with UNI officials to follow-up on the Agreement.

The execution last 25 September 2018 of the Agreement to set up the European Works Council (EWC) within the Inditex Group represents another milestone in the relations of Inditex with trade unions.

Following a number of meetings between representatives of Inditex and the Special Bargaining Group, made up of union representatives of companies within the Group in different European countries, an agreement is reached which is published on the Official Gazette of Spain on 23 November 2018, pursuant to the applicable European Directives and Spanish laws transposing them.

The first plenary meeting of the European Works Council is expected to be held during the first half of 2019. EWC seeks to become a body for assurance and effectiveness of information and consultation of employees on transnational issues.

All in all, the Global Framework Agreement executed with UNI applies to 100% of Group employees. Additionally, in Europe, employees' interest will be better upheld at transnational level from 2019, following the implementation of the European Works Council. With regard to collective bargaining by country, local collective bargaining agreements apply to nearly 70% of employees in Europe. The opening of new markets (especially in Asia) means that at global level, the percentage of local collective bargaining agreements slightly varies, standing at approximately 60%.

Organization of work

The contents of the different legislations and agreements and conventions, whether national or international, to which the Company is a party are incorporated in the Code of Conduct and Responsible Practices of the Inditex Group and are thus made part of the company's internal regulations. The Company undertakes to comply with them.

Regarding organization of work, the Code of Conduct and Responsible Practices addresses in particular respect for the time limits set by the applicable laws in each country in terms or weekly working hours and overtime.

This commitment undertaken by the parties to fulfill the requirements laid down in national laws and agreements regarding working hours is addressed in the Global Agreement executed with UNI, which includes a section on the guidelines provided in ILO Conventions 1 and 47 regarding eight hours and forty

hours of work per day and week, respectively, and in Recommendation 116 regarding reduction of normal hours of work established as a minimum standard per country.

In practice, laws and collective bargaining agreements applicable to Inditex establish maximum annual working hours for employees, based upon which work schedules are agreed, procuring strict compliance therewith. To this end, Inditex has in place a system for clock-in and out, access and working time control, which will be gradually implemented in all the countries.

Health and safety at work

Inditex Health and Safety Policy is in place since 9 June 2017. According to such Policy, the Company *“firmly believes that occupational health and safety enables and increases productivity and guides the way the Company operates its business activities”*.

Therefore achieving the highest standards in Health and Safety management is a priority target for the Group. In 2018, the facilities of all companies and formats of the Group in Spain were once again awarded the OHSAS 18001:2007 certificate, as well as in Italy, UK, Ireland, Portugal, Mexico, Greece and Turkey.

OHSAS 18001:2007 certification defines the requirements to establish, implement and operate an effective Occupational Health and Safety system. In 2018, the companies of the Group in Japan and Croatia were awarded the OHSAS 18001 certificate.

Progress will be made in 2019 in the transition to the new ISO 45001:2018 certification system, the highest international standard on Management Systems, with the goal of including under such standard in addition to the companies which already have OHSAS 18001 certificate, companies in Russia, Germany, Bulgaria and the logistics centre of Cajamar (Campinas) in Brazil.

Emergency management

A number of measures were implemented in 2018 to ensure safety at work centres, such as Emergency and Self-protection Plans, evacuation drills or PCI (Training on Fire Protection).

Format	Self-protection Plan		Emergency and Evacuation Plan	
	New	Updated	New	Updated
Bershka			24	
Massimo Dutti	1		18	9
Oysho			17	
Pull&Bear			14	32
Stradivarius			56	4
Uterqüe		1	5	
Zara	1	2	47	74
Zara Home			9	8
TOTAL	2	3	190	127

Market	Emergency and self-protection plans
Croatia	43
Turkey	15
Bulgaria	39
UK	49
Ireland	13
Argentina	11
Uruguay	4
Mexico	38
Poland	238
Romania	10
Serbia	26
Italy	287
Slovenia	40
Belarus	25
South Africa	9
Canada	43
Bosnia Herzegovina	13
Chile	13
Japan	3
South Korea	1
Albania	38
Russia	123
Greece	165
Austria	24
Macedonia	5
Czech Republic	24
Slovakia	16
Hungary	39
USA	2
Kazakhstan	80
Finland	8
Norway	8
Denmark	17

Other proceedings related to emergencies management are summarized in the tables below:

Work Centre	Description
Plataforma Sallent Stradivarius	Evacuation Drill
Stradivarius (New Cerdanyola HQ)	Event Report
Pull&Bear Offices	Self-protection Plan Work site (renovation of Set)
Inditex, S,A,	Three Miles for Charity Event
TEMPE Alicante	Fire Safety Training
Plataforma Europa	Evacuation Drill
Inditex's new Technology Building	Fire Safety Training
Plataforma Cerdanyola	Fire Safety Training
Zara Home Logística	Self-protection Plan

Additionally, different courses of action were taken in 2018 targeting special situations in civil emergencies. In Turkey, an action project has been implemented to face natural disasters, namely earthquakes. Thus, a protection plan has been put in place at 228 stores in nine cities, including the provision of satellite communication devices and training special action teams, up to 5,097 employees.

In France, 382 Store Managers and other local staff members took part in a training session to address situations of conflicts with customers.

Likewise, in the UK an evacuation procedure was in place together with the London Metropolitan Police, to manage emergency situations with riots or avalanches at the busiest shopping areas in the city.

Prevention of muscles and bones injuries

Initial training is provided to all employees at all logistics centres and stores on prevention of muscles and bones injuries. Likewise in 2018 other preventive measures in the field were in place-

Mobility Plan

Measures taken to improve road safety at logistics centres include the implementation of a Plan at Plataforma Europa in Zaragoza and Plataforma Mecó in Alcalá de Henares (Madrid). Actions implemented in the scope of such plans include the review of road infrastructure and equipment from the point of view of the interaction of the different parties involved (pedestrians, light vehicles and heavy vehicles), detecting shortcomings and/or irregularities regarding road safety,

In 2018, proceedings have begun to develop the Mobility Plan at Arteixo's logistics centre and they will begin in 2019 at Plataforma León, Narón and Cabanillas.

Fostering healthy habits

Inditex encourages and promotes being recognized as a Healthy Company. In this regard, in 2018, Group companies of the United Kingdom and Ireland have been certified as Healthy Companies, a recognition already obtained by all Group companies in Spain in 2015. This standard identifies cross-cutting issues upon managing Health and Safety of individuals based upon physical, and psycho-social issues, in resources allocated to health of the workers, and its participation in the community, and is based on the model upheld by the World Health Organization. In 2019, Italy will join such Management System.

On 28 April 2018, annual World Day for Safety and Health at Work, efforts were made towards preventing in transit accidents. A global awareness-raising campaign was launched in all the markets where Inditex operates and in all the Group's companies in Spain.

INhealth is the website dedicated to promoting health and healthy habits for Group employees. In 2018 it became available in Switzerland and Turkey, and it has at 2018 year end 60,173 active users. *INhealth* is expected to be available in Canada, USA, Russia, Poland, Bulgaria and Brazil in 2019.

Other highlights in the field of health include the Pink October initiative to raise awareness on breast cancer, in such countries as Brazil, UK, Italy and Spain.

In Australia, a protocol to prevent harassment and discrimination has been implemented, with the involvement of 165 employees.

The UK celebrated the Welfare Week at Headquarters. 199 employees took part in different events, such as healthy breakfasts, Personal Advice on Ergonomics, or *Batak Wall* classes.

The *Fit@Work bag* initiative was carried out in Germany. It consisted of handing a healthy bag to some 2,000 employees, to do specific exercises to prevent muscles and bones damages.

In 2018 the so-called Internal Week for the Prevention of Occupational Accidents took place in Brazil, involving 300 store employees in Sao Paulo, promoting exercise at the workplace, posture check-up to prevent ergonomics risks and specific health reviews.

In Argentina, 835 employees took part in the Health and Safety Week,

External audits

With regard to OHSAS 18001:2007 external control audits, the following were carried out in 2018:

Management System Audit	No.
Own stores	628
Logistics Centres	5
Own factories	4
Headquarters	19

Accident rates

Accident rates are detailed below:

SPAIN

Own stores

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	18.00	14.70	0.41
Men	20.70	14.60	0.25

EUROPE

	Incident rate ¹	Frequency rate ²
Women	19.30	16.90
Men	17.00	14.70

Logistics Centres

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	107.80	70.90	1.96
Men	126.50	78.80	1.65

Own factories

	Incident rate ¹	Incident rate ²	Seriousness rate ³
Women	73.80	53.60	1.82
Men	167.70	102.00	3.00

HQ

HQ	Incident rate ¹	Incident rate ²	Seriousness rate ³
Women	3.20	1.80	0.05
Men	2.20	1.20	0.07

^[1] Incident rate with leave= (No. accidents with leave *1,000) / Average No. employees

^[2] Frequency rate= (No. accidents with leave *1,000,000) / No. hours worked

^[3] Seriousness rate = (Days of leave*1,000) / No. hours worked

In 2018, the aggregate number of absent hours due to temporary incapacity amounted to 9,107,205 hours.

Remuneration policy

Inditex's stance on remuneration relies on criteria that fit at the same time the description of each market and working environment where the Company operates, always within the framework of its culture and values, and considering the own features of each commercial format of the Group.

Inditex's compensation policy intends to be consistent with the level of complexity and responsibilities undertaken by the individuals, fit the effort and performance of the employees, and encourage the achievement of better results. For such purposes, Inditex determines remuneration levels in line with local practices in markets of reference, attempting to fix remuneration on an individual basis and promote variable pay.

ASIA & REST OF THE WORLD

	Incident rate ¹	Frequency rate ²
Women	6.70	5,40
Men	3.50	2,80

AMERICAS

	Incident rate ¹	Frequency rate ²
Women	12.00	9.10
Men	11.40	8.50

This last element is one of the key elements of Inditex remuneration policy. Variable pay extends to employees in all areas of activity in the company.

Inditex's main variable pay system is based upon monthly sales commissions, that reward the involvement of store employees regarding relevant issues such as the opinion on the product, store coordination and organization and sales results. Decision-making and initiative is encouraged at all levels, and reward is proportionate to the responsibilities assumed.

Inditex is a global company with employees in 60 markets. At Inditex, remuneration is determined in line with applicable practices in each market. Pay is made in local currency, which entails different wage references among the various markets.

Wage gap

In terms of methodology, wage gap is the most representative indicator to review gender wage gap. Wage gap is calculated based upon the median salary in each market, weighted with the weight of each activity area within the Group (store, HQ, logistics and factories). Such median is weighted in turn with the weight of each market on the aggregate number of employees. As a result, a global reliable indicator of wage gap between male and female workers is obtained:

The outcome of the analysis carried out shows wage parity between men and women at Inditex. In terms of aggregate remuneration, women are paid 0.8% more than men.

Wage gap	Gap – aggregate pay
TOTAL	0.8%

The wage gap by geographic area is shown in the table below:

Geographic area	Gap – aggregate pay
Spain	1.00%
Europe ex Spain	0.20%
Americas	0.30%
Asia and rest of the world	0.00%
TOTAL	0.8%

Global average remuneration

Average remuneration is defined as the average wages within the Group, translated into euros, using the average exchange rate in 2018². Based upon this, in 2018 global average remuneration at Inditex was €20,996 (in terms of gross remuneration). With regard to this figure, it should be noted that the number of employees in Spain, its main market, only represents 28% of the headcount, as a significant part of the remaining 72% staff are based in markets where wages translated into euros give rise to lower average remuneration.

² This parameter will be used in the following financial years to report on the evolution of global average remuneration

By gender, average remuneration of women stands at €19,935 (gross annual remuneration) and that of men was €23,556 (gross annual remuneration). It should be pointed out that these two figures are not representative in terms of equal pay: the distance between pay for men and women is due to a higher presence of women in a significant number of markets where average remuneration is lower on account of the exchange rate effect.

Regarding equal pay, wage gap is a transparent indicator of pay received by men and women. In fact, wage gap is calculated by market (weighted with the weight each of them represents). This allows isolating the impact of the different local currencies, the evolution of exchange rate and the geographic distribution of the workforce. As indicated in the foregoing section, global wage gap at the Inditex Group favors women: 0.8%.

Considering all the foregoing circumstances inherent in the Group, the average remuneration by age and by job classification is provided below:

Age	Aggregate remuneration
<30	15,350
30-40	26,320
> 40	41,062

Job classification	Aggregate remuneration
Manager	47,804
Supervisor	27,963
Specialist	18,480

Employees' profit-sharing Plan

Further to the Group's development, Inditex approved in 2015 an Extraordinary Plan for employees participating in the economic growth of the Inditex Group for financial years 2015 and 2016. A new Employees' profit sharing Plan was approved in 2017 for financial years 2017 and 2018, similar to the previous one.

In April 2018, 10% of the net profit increase was shared out (21 million euros), increased by an additional 21 million euros. Inditex distributed 42 million euros to some 88,000 employees with a continuous length of services in the company of at least two years as at 31 March 2018.

Remuneration of Directors

The remuneration of members of the Board of Directors in 2018 (in €k) is shown in the table below:

Statement on non-financial information

Name	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneration for other items	Total FY2018 company
Mr Pablo Isla Álvarez de Tejera	7,785	1,704	0	0	9,489
Mr José Arnau Sierra	330	0	0	0	330
Mr Amancio Ortega Gaona	100	0	0	0	100
Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote)	100	0	0	0	100
Bns Denise Patricia Kingsmill	250	0	0	0	250
Mr Jose Luis Durán Schulz	300	0	0	0	300
Mr Rodrigo Echenique Goardillo	300	0	0	0	300
Ms Pilar López Álvarez (since 17 July 2018)	134	0	0	0	134
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós (until 17 July 2018)	116	0	0	0	116
Mr Emilio Saracho Rodríguez de Torres	300	0	0	0	300
Total:	9,715	1,704	0	0	11,419

Remuneration of Senior Management

The average remuneration of Senior Management in 2018 amounted to 1,944,018 euros. The average remuneration of female Senior Managers was 1,725,866 euros, and that of male Senior Managers 2,008,180 euros.

Included in the above referred remuneration for financial year 2018 is the amount accrued for the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan. The incentive accrued in 2018 under such cycle has amounted to 15,301,802 euros, and has materialized in (i) a cash incentive in the gross amount of 8,383,967 euros; and (ii) an incentive in shares in the total number of 284,100 shares, equivalent to a gross amount of 6,917,835 euros.

For such purposes, it should be noted that in order to quantify the incentive portion to be delivered in shares, the closing price of Inditex share as at the day of accrual of the first cycle of the 2016-2020 Plan has been considered (i.e., 31 January 2019).

IV. Socially responsible management of the Supply Chain

All the suppliers and factories involved in producing goods that Inditex sells, are expressly bound to abide by the values and responsible practices that are central to the Group, and which are conveyed through the Sustainability Department and also by the different buyers' teams.

In this regard, Inditex's commitment and responsibility towards a responsible management of its supply chain requires identifying working areas to contribute to the improvement of working conditions in the sector in each of the markets where the Group operates, creating sustainable production environments. Inditex meets such challenge by setting and implementing policies aligned with the fundamental labour standards, and by establishing monitoring mechanism and tools allowing direct cooperation with its suppliers, as well as through a multilateral dialogue with organizations and institutions in these fields.

The Code of Conduct for Manufacturers and Suppliers, and the Compliance Programme that ensures its implementation, are the cornerstone of the Group's work regarding management and reinforcement of the supply chain. This work is supplemented by specific programmes covering a wide range of diverse and significant topics such as, without limitation, health and safety at work, living wages or women empowerment.

Code of Conduct for Manufacturers and Suppliers of the Inditex Group

Inditex's Code of Conduct for Manufacturers and Suppliers defines the minimum standards for an ethical and responsible behavior that must be met across the entire supply chain pursuant to the Group's corporate culture, firmly rooted in respect for Human Rights.

The Code of Conduct for Manufacturers and Suppliers was approved by the Board of Directors in 2001 and last amended in 2012.

Namely, the Code of Conduct for Manufacturers and Suppliers is inspired by the principles provided by the Organization for the Economic Cooperation and Development (hereinafter, the "OECD"), the Base Code of the Ethical Trading Initiative, the principles of the United Nation Global Compact, and, the following ILO Conventions, without limitation: 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

The contents of the Code of Conduct for Manufacturers and Suppliers are:

- No forced labour;
- No child labour;
- No discrimination;
- Respect for freedom of association and collective bargaining;
- No harsh or inhumane treatment;

- Safe and hygienic working conditions;
- Wages are paid;
- Working hours are not excessive;
- Regular employment;
- Traceability of production;
- Health and Safety of products;
- Environmental awareness;
- Confidentiality of information;
- Implementation of the Code of Conduct for Manufacturers and Suppliers; and
- Inditex's Committee of Ethics, as a grievance mechanism.

The Code of Conduct for Manufacturers and Suppliers is binding for all the manufacturers and suppliers involved in purchases, manufacture and product finish processes of the goods sold by the Group and it promotes and is based upon those general principles which define the ethical behaviour of Inditex: all of its operations are developed under an ethical and responsible perspective; all persons, individuals or entities, who maintain, directly or indirectly, any kind of employment, economic, social and/or industrial relationship with Inditex, are treated fairly and with dignity; all its activities are carried out in a manner that most respects the environment; all manufacturers and suppliers (production centres that are not the property of Inditex) fully adhere to these commitments and undertake to ensure that the standards which are set forth in the Code are met.

Meeting all the standards of the Code of Conduct for Manufacturers and Suppliers is a prerequisite for any supplier or manufacturer to become part of Inditex's supply chain. In fact, as explained in further detail below, before entering into a business relationship with any company, they are required to pass an audit to verify compliance with the Code of Conduct for Manufacturers and Suppliers. Subsequently, different sustainability criteria will not only be considered throughout the business relationship, but breach of any of the above referred standards may entail the termination of the relationship.

Alliances and partnerships

Challenges of a global supply chain are shared by different actors. The effect of working with different stakeholders, identifying such challenges and looking for common solutions is beneficial both for the industry and for the development of communities related to Inditex supply chain.

As a result of this conviction, Inditex collaborates with global stakeholders, such as IndustriALL Global Union (hereinafter, "IndustriALL"), and plays an active role in relevant international initiatives, including without limitation the ILO, Ethical Trading Initiative, and the United Nations Global Compact.

Likewise, the Company engages in relations with local stakeholders to promote the necessary changes in the textile sector and, thus, improve quality of life of the communities related to such industry.

In this regard, Inditex has created spaces for cooperation to promote a sustainable production environment in strategic geographic areas to develop the Company's business model, known as clusters. Inditex currently has 12 supplier clusters that account for 96% of its production, located in Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, Cambodia, China, Brazil, Argentina and Pakistan.

Inditex strongly believes that it is essential for workers who are part of its supply chain, to get to know their rights and have the necessary mechanisms to secure them through dialogue and collective bargaining. To achieve this, Inditex engages in collaboration and relations based upon mutual trust with local and international trade unions present in the different countries which comprise its supply chain, through a Global Framework Agreement executed in 2007 with IndustriALL, which was the first of its kind for a company within the sector to cover the entire supply chain. Its main goal consists of ensuring compliance with international labour standards arising from ILO and UN Conventions, as well as with OECD Guidelines. The Framework Agreement highlights the essential role that freedom of association and the right to collective bargaining must have in all countries. Thus, both organizations directly work together to ensure compliance with Inditex's Code of Conduct for Manufacturer and Suppliers.

Under the Global Framework Agreement, renewed in 2014, Inditex and IndustriALL have implemented a great number of joint initiatives at the clusters. In this regard, the relationship between the Group's local teams and IndustriALL delegations is ongoing, which allows to come close to the workers, their needs and expectations.

In addition to the Global Framework Agreement with IndustriALL, some of the main global partnerships in the field of sustainable management of the supply chain are listed below:

- Ethical Trading Initiative (ETI): a dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organizations. Inditex has been a member of ETI since 2005 and is an active participant of its programmes in different countries.
- ACT (Action, Collaboration, Transformation): a collaboration initiative between retail brands, suppliers and trade unions to transform the industry and achieve living wages in the sector. Inditex has been an active participant in ACT and its work groups since 2015.
- ILO's Better Work Programme, is a platform to improve compliance with labour regulations and competitiveness of global supply chains. Inditex has been a member since October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.
- Public-Private Partnership with ILO aimed at the joint promotion between Inditex and ILO of respect for the fundamental principles and rights at work in the supply chain of the cotton sector. It was executed in 2017 and its expected term is three years.
- Accord on Fire and Building Safety in the Textile Industry in Bangladesh. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country, Inditex is a founding member and sits on the Steering Committee. This Agreement was signed in 13 May 2013 and renewed in June 2018.

Workers at the Centre

Based upon due diligence processes, priority areas have been identified to establish programmes that start with the basic premise that workers should be at the centre. The "Workers at the Centre" strategy allows adding value in priority areas and delving into creating sustainable production environments.

The priority areas identified are shown below:

- Worker participation;
- Living wages;
- Responsible purchasing practices;
- Women empowerment;
- Occupational health and safety;
- Protection of migrants; and
- Training and awareness

In this regard, mention should be made of the work done in the field of women empowerment. Inditex has in place a Strategy for Women Empowerment in the Supply Chain, based upon Sustainable Development Goal No. 5 (which seeks women and girls empowerment) which revolves around three pillars of effort: health, protection and empowerment. This strategy delves into the different tools for continuous improvement used in the socially sustainable management of the supply chain, supplemented by a

gender perspective that allows broaching women-related sensitive issues and implementing specific gender-related measures and practices.

Another highlight in 2018 has been Inditex membership in *Better Than Cash Alliance*, an alliance of governments, companies and different international organizations that seeks to globally promote the transition to digital economy and, in Inditex's case, focused on the workers present in its supply chain.

2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain

The 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain is the cornerstone on which the "Workers at the Centre" programmes are based. Such Plan addresses the main action lines for the responsible management of the supply chain. Such action lines require that suppliers and manufactures are appropriately identified and understood, through a thorough evaluation, helping them to improve the working conditions of the workers comprising Inditex's supply chain, in non-exclusive suppliers. This is the way to ensure sustainability and compliance by the manufacturers and suppliers with the standards that Inditex demands, giving rise to stable long-term business relationships, and allowing to gain a deeper knowledge in specific areas.

The Plan was completed in 2018. Based upon the experience gathered during its five years of existence and upon the knowledge gained through the conduct of the "Workers at the Center" activities. Inditex will implement between 2019 and 2022 a new strategic Plan for the socially sustainable management of its supply chain.

Throughout the five years of the existence of the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain, the methodologies, tools and identification, evaluation, optimization and sustainability activities included therein have changed, in line with the needs of the supply chain and its context, as new knowledge and experiences have been added. However, the maxim of ensuring respect for fundamental Human and Labour Rights and promoting sustainability of the supply chain remains a constant.

Inditex requires from all its suppliers that they report on the factories involved in the production, including all levels and processes. Likewise, all suppliers are bound by the Code of Conduct for Manufacturers and Suppliers to demand compliance with this standard from all the factories they may employ to produce for Inditex.

In 2018, Inditex's supply chain was made up of 1,866 suppliers³ in 43 markets, working in 7,235⁴ factories.

With a global supply chain, Inditex identifies its suppliers and manufacturers by means of different tools, including, without limitation, traceability audits, whose main goal consists of verifying the traceability of the supply chain based upon the review of the information gathered through a management system that compels suppliers to report at any time about the factories that manufacture for Inditex.

The traceability management system used by Inditex was internally developed and has been evolving throughout the five years of duration of the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain, for the purposes of making information available to all concerned parties (both internal teams and suppliers) as well as increasing the scope of the information gathered, especially focusing on traceability of raw materials.

2,546 traceability audits were conducted in 2018 with the involvement of internal and/or external teams which worked on site in order to verify that production for the Group's formats took place in duly acknowledged and authorized factories as per the above mentioned management system.

The standardization work done on the methodology of traceability audits should be noted. Since its launch in 2014, work has been done to achieve a steady methodology that incorporates best practices,

³ Suppliers of fashion items, mainly clothing, footwear and accessories, with a production for Inditex of over 20,000 units/year. Suppliers with smaller production account for 0.23% of total production.

⁴Textile, footwear and accessory factories declared by suppliers in the manufacturer management system for orders in 2018

both of internal and external teams, that allows an effective and objective verification of traceability of suppliers. This methodology also encompasses corrective and remediation measures by requesting Production Control Plans. Where a breach is detected, the supplier must prepare a Production Control Plan, which will be monitored by internal teams, who will work with the supplier to remedy such breach. At any rate, in the event of repeated breaches regarding traceability may entail the termination of the business relationship with a supplier.

In parallel to the traceability strategy, the first verification of compliance with the Code of Conduct for Manufacturers and Suppliers takes place even before the commencement of a business relationship with Inditex. This is done through *pre-assessment* audits, which consist of a preliminary evaluation of potential suppliers and factories, performed by internal and external auditors, without prior notice. Pre-assessment audits serve the purposes of assuring that only those suppliers and manufacturers who comply with the Code of Conduct for Manufacturers and Suppliers may be part of the supply chain.

Inditex carried out 2,177 pre-assessment audits in 2018.

It should be mentioned that in 2016, the pre-assessment audit methodology was updated for the purposes of reinforcing this preliminary evaluation by strengthening requirements. Such audits were included that same year in the management system of Inditex supply chain, which already included social audits.

In this regard, each and every supplier and factory which make up Inditex's supply chain are subject to regular social audits, conducted pursuant to the methodology implemented by the Company, which was designed in 2007 in partnership with the former ITGLWF (currently part of IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge University.

These social audits seek to verify the degree of compliance with the Code of Conduct for Manufacturers and Suppliers and establish, where appropriate, corrective action plans (described below) aimed at ensuring respect for fundamental labour rights. Social audits are mainly conducted by independent external auditors and by internal auditors, without prior notice of the date when the inspection will take place. 5,359 social audits were conducted in 2018.

As a result of social audits, suppliers are classified into different categories based upon their level of compliance with the Code of Conduct for Manufacturers and Suppliers. According to such classification, there are five types of suppliers:

- Supplier A: complies with the Code of Conduct for Manufacturers and Suppliers.
- Supplier B: breaches a non-material aspect of the Code of Conduct for Manufacturers and Suppliers.
- Supplier C: breaches a sensitive aspect of Code of Conduct for Manufacturers and Suppliers.
- Supplier subject to Corrective Action Plan (CAP): supplier with breaches of the Code of Conduct that require the immediate implementation of a corrective action plan.
- PR Supplier: undergoing an audit process.

The table below shows the classification of the suppliers that have worked for Inditex in 2018:

Classification	Number of suppliers	Percentage (%)
A	661	35%
B	1,045	56%
C	80	4%
PAC	47	3%
PR	33	2%
TOTAL	1,866	100%

Social audits methodology was updated in 2014 and again in 2017. It includes interviews with workers and trade union representatives (if any), the review of the documentation related to working conditions of employees, visiting the facilities of the audited company and an interview with their management. All this combined gives rise to a thorough evaluation and allows verifying the degree of compliance with each and every section of the Code of Conduct for Manufacturers and Suppliers.

The table below shows the percentage of compliance with the Code of Conduct for Manufacturers and Suppliers in active factories (with purchase) in 2018⁵:

	Africa	America	Asia	Europe (Non- EU)	European Union
	2018	2018	2018	2018	2018
Prohibition of forced labour	>90	>90	>90	>90	>90
Prohibition of work by youths or minors (*)	>90	>90	>90	>90	>90
Prohibition of discrimination	>90	>90	>90	>90	>90
Respect for freedom of association and collective bargaining	>90	>90	>90	>90	>90
Prohibition of abuse or inhumane treatment	>90	>90	>90	>90	>90
Hygiene at work	>90	>70	>90	>90	>90
Wage compliance	>50	>50	>50	>50	>50
Working hours	>90	>90	>90	>90	>90
Environmental commitment	>90	>90	>90	>90	>90
Regular work	>90	>90	>90	>90	>50
Implementation of the Code (**)	>50	>90	>90	>90	>50

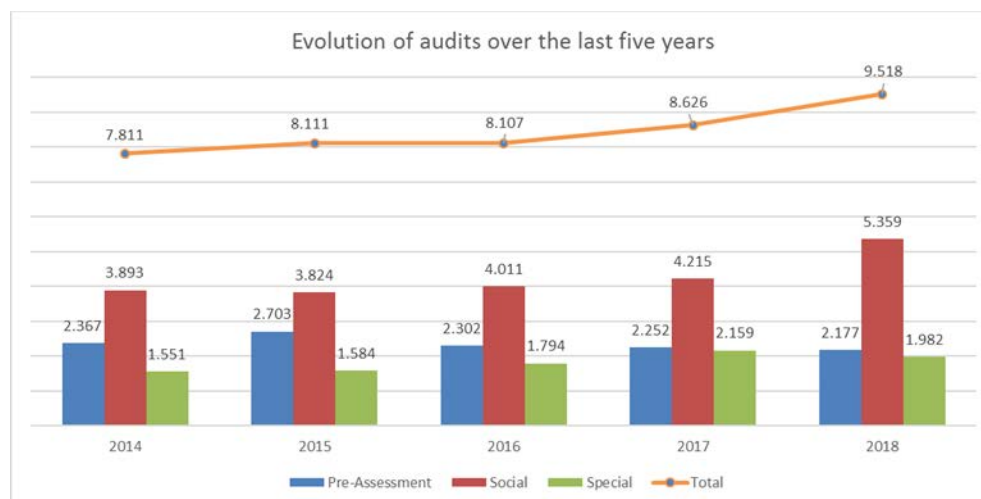
> 90> 70>50<50

*Includes the lack of suitable systems for checking the age of workers.
**Includes the lack of suitable systems for registering and informing workers.

Other assessments include special audits that focus on a specific area for improvement. An example of the themes considered during such visits are structural technical assessments, or specific evaluation of the workers' health and safety. 1,982 special audits were conducted in 2018.

While the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain was in effect, the number of audits conducted had been increasing over time, which showcases the work done by Inditex towards an increasing assurance of compliance with the Code of Conduct for Manufacturers and Suppliers across its supply chain.

⁵ Factories rejected in 2018 not included.



From the perspective of sustainability, the Group's philosophy consists of growing and improving together with its suppliers, which means that audits carried out are always monitored. Each audit immediately triggers a corrective action plan that sets exacting goals and terms. Any supplier wishing to maintain its business relationship with Inditex is bound to perform such corrective action plans, and for such purposes, they rely on the full support and dedication of Inditex's Sustainability teams. In addition to internal teams, other stakeholders such as NGOs, trade unions or other organizations of the civil society can be involved in such plans.

Corrective action plans mainly target: (i) the establishment of measures aimed at mitigating and/or remedying potential non-compliances with the Code of Conduct for Manufacturers and Suppliers; and (ii) prevention, to avoid further breaches in future.

Inditex relies on its own internal methodology to carry out corrective action plans. Such methodology entails certain standard proceedings, including competence visits from internal teams to verify the degree of compliance with the plan prior to completion.

Where any breach of the most sensitive aspects of the Code of Conduct for Manufacturers and Suppliers, is detected, the duration of the corrective action plan is restricted to six months. Once this period is over, a new social audit is carried out to assess the degree of compliance with the plan. If during this audit it is found that the plan has not been complied with, the factory or supplier will be rejected and its business relationship with Inditex suspended. 417 corrective action plans were implemented in 2018. Inditex internal teams have collaborated with suppliers in some 2,458 corrective action plans since the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain was launched.

Inditex remains committed to adopting best practices on social sustainability across its supply chain and begins in 2019 a new Social Sustainability plan. The new plan has been drafted based upon the outcome of the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain.

V. Commitment and Excellence of Our Products

Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods⁶ it sells, and are a benchmark for manufacturing practices of all the suppliers

⁶With regard to items outside the scope of the product health and safety standards of the Group, they are subject to minimum requirements reports especially created pursuant to the statutory requirements which apply to the type of product and the markets where they are sold

across its supply chain. This requirement extends to the chemical industry that produces dyes, pigments and ancillary chemical products used in the textile and leather sector.

Likewise, in partnership with technology companies, research centers and international laboratories of reference, Inditex verifies the appropriate implementation of its standards, by analyzing both the goods and the chemical products used in the production thereof, and conducting recurrent audits both at the facilities involved in manufacturing the goods, and at the factories that produce the chemical products used to produce the above referred goods.

Inditex commitments concerning product health and safety

	safe to wear*	clear to wear*	i-COSMETICS	i-FCM
TYPE	PRODUCT SAFETY		PRODUCT HEALTH	
SCOPE	Clothing, accessories and footwear	Clothing, fabrics, accessories, footwear and household textiles	Cosmetics	Products in contact with food
SUBSTANCES AND PARAMETERS	10	37	110	57

Clear to Wear

Clear to Wear is the health of the product standard of Inditex, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied.

Clear to Wear has been developed in partnership with scientific and technological advisers, research centers and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product. In addition to covering parameters and substances whose use is restricted, it limits the use of certain substances not addressed in the prevailing laws and regulations which could be potentially hazardous, and encompasses the provisions of REACH, (European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), being the EU regulation that all Inditex suppliers must observe.

The 4th edition of this standard has been implemented in 2018. It encompasses 62 new regulations and 77 new individual chemicals and/or parameters.

Safe to Wear

Safe to Wear is the safety of the product standard of Inditex, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied.

Safe to Wear has been developed in partnership with international safety experts in clothing for children, in accordance with the most exacting laws and regulations in the field. In addition to covering the design, the fastening degree of small parts, sharp points and sharp edges in clothing for children, the standard restricts parameters such as flammability in goods for both children and adults.

The 3rd edition of this standard has been implemented in 2018. It encompasses 3 new regulations which amend existing restrictions. Likewise, a number of recommendations are included as a reference guide for the design and production of goods that ensure compliance with *Safe to Wear*.

To make progress in the field of excellence of the products, Inditex not only improves its product health and safety standards applicable to its main products (apparel, footwear and accessories), but it also takes further steps towards standardization concerning other types of goods such as cosmetics and products

designed to be in contact with food. All these new standards have been developed under the general I+ (I PLUS) (Inditex Precautions and Limits for Users' Safety) framework.

I+Cosmetics

I+Cosmetics is the health of the product standard of Inditex, which applies and is mandatory for all its cosmetic products.

I+Cosmetics, has been developed in partnership with scientific and technological advisers, research centers and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product in the cosmetics sector. In addition to covering parameters and substances which use is restricted by law, it limits the maximum level of impurities allowed in starting materials, and encompasses the provisions of REACH, (European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), being the EU regulation that all Inditex suppliers must observe.

The implementation of the first version of this standard has continued in 2018 among all suppliers of cosmetic products.

I+FCM

I+FCM is the health of the product standard which is mandatory for all the products designed to be in contact with food.

I+FCM has been prepared in partnership with scientific and technological advisers, research centers and academic institutions, pursuant to the most exacting laws and regulations regarding food safety. In addition to covering parameters and substances which use is restricted by law for all types of materials used in goods in contact with food (polymer rubber, crockery, glass, metal, paper, wood and others) it restricts the transmission in ordinary or foreseeable use conditions, of chemicals comprising the goods to the food they are in contact with.

The implementation of the first version of this standard has continued in 2018 among all the suppliers of products in contact with food.

Moreover, unlike *Clear to Wear y Safe to Wear* and in accordance with statutory provisions applicable to this type of goods, *I + Cosmetics* and *I + Food Contact Materials* include mandatory information and manufacturing best practices requirements.

Significant progress has been made in 2018 in the standards applicable to air fresheners (*I + Air Fresheners*), candles (*I + Candles*) and childcare articles (*I + Childcare Article*).

Training and awareness-raising

Inditex relies on scientific teams and technology experts who identify regulatory developments, construe the restrictions thereof, select analytical methodologies and carry out in partnership with the chemical industry, a thorough evaluation of chemical products and manufacturing processes which may contribute to the appearance of non-conformities. As part of this careful process, the design and preparation of our standards goes beyond the limitations of a classic Restricted Substances List, bringing in additional expertise that allows us first to identify hazardous chemicals and manufacturing processes and secondly, to propose alternative products or manufacturing technologies to avoid non-conformities. This information is very helpful for our manufacturers and is a key strategic element of the training and information programme across Inditex's production line.

Likewise, Inditex recurrently develops supporting training programmes on specific and relevant elements of the health and safety standards. Such programmes are addressed to technical and managerial staff of suppliers. In 2018, experts on product health and safety from Inditex Sustainability Department, provided training and gave technical advice in certain manufacturing clusters (Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan).

Additionally, regarding awareness-raising among internal design and commercial teams, Inditex has reinforced the units of experts on product health and safety across all its formats for the purposes of:







- Giving ongoing training to commercial and design teams of each format on product health and safety issues;
- Providing technical assistance onsite to commercial and design teams; and,
- Cutting the time required to detect potential breaches and providing befitting solutions or technical assistances for each specific type of product.

Refreshment training is provided to these units of experts in partnership with academic institutions and scientific and technology companies.

In 2018, 21 training sessions were given to 250 members of internal designers and commercial teams, and of the product health and safety area itself.

Control and continuous improvement in product manufacturing

Inditex’s product health and safety strategy is based upon monitoring and improving quality throughout its entire production line, thus ensuring that all the goods comply with its exacting health, safety and environmental sustainability standards.

						
Facilities involved in the manufacturing of a t-shirt	SPINNING	WEAVING	DYEING	PRINTING	LAUNDRY/ FINISHING	STITCHING
			The List	The List	The List	The List
Implementation of Our Programs	The List	The List	RTM RCA	RTM RCA	RTM RCA	Picking RCA

The List by Inditex, an innovative programme in the chemical industry

Designed and implemented in 2013, *The List by Inditex* is a pioneering programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used in production, thus ensuring conformance to the chemical restrictions covered in Clear to Wear, Inditex health of the product standard, and the assumption of Inditex commitment to the Zero Discharge of Hazardous Chemicals by 2020.

Through a comprehensive process for evaluation of manufacturers and the analysis of the chemical products they supply, *The List by Inditex* includes a register of chemical products classified in accordance with their degree of conformance to *Clear to Wear* and the commitment to the Zero Discharge of Hazardous Chemicals by 2020.

Likewise, work is also done to perfect the existing production processes, as this has a direct impact on improvement of chemical products. Where such improvement cannot be achieved, R+D programmes are defined, to create new chemical products, alternative to the existing ones.

In 2018, 31 new requests to be included in *The List by Inditex* were received, and progress has been made in its 4th edition: 15 audits and 57,267 analysis were conducted, allowing to classify 25,943 chemical products (31% increase versus the previous edition) from 26 companies (18% increase versus the previous edition). The table below shows the classification of such new products in accordance with the location where each company is based:

Origin of Manufacturer	Number of Chemical Products	%
Germany	2,544	9.80%
Spain	2,876	11.10%
France	117	0.50%
The Netherlands	2,939	11.30%
Italy	1,542	5.90%
UK	187	0.70%
Switzerland	3,702	14.30%
Turkey	1,806	7.00%
India	2,510	10.00%
China	2,404	9.00%
Others	5,316	20.00%
TOTAL	25,943	100%

Ready to Manufacture, strengthening the manufacturing chain

Designed and launched in 2013, *Ready to Manufacture* (hereinafter, "RtM") is a benchmark programme in the textile and leather sector that seeks, with the direct involvement of the production line, to improve manufacturing practices at the facilities used at the different production stages, thus ensuring conformance to *Clear to Wear* and to the commitment to the Zero Discharge of Hazardous Chemicals by 2020.

RtM includes a code of best practices for the production of textile and leather items, applicable at wet processes facilities (dyeing, washing, printing and tanneries) across the suppliers' production line, and relies on a unit of technological experts who assist with the appropriate implementation of the above mentioned RtM, through recurring training and audits.

In particular, RtM allows the correct selection of chemicals and manufacturing conditions. Therefore, *The list by Inditex* is a tool directly linked to RtM.

In 2018 progress has been made in RtM 3rd edition with 2,008 audits conducted at 1,385 facilities with a global 65% improvement versus their prior initial and/or follow-up audit. The table below shows the audits carried out and the degree of improvement achieved by geographic area:

Geographic area	2018 audits	(%)	Improvement
Europe	491	24%	65%
North of Africa	77	4%	52%
Turkey	383	19%	66%
India	253	13%	67%
Bangladesh	248	12%	72%
China	395	20%	64%
Other countries Asia	161	8%	57%
TOTAL	2,008	100%	65%

Picking: production control and analysis

Designed and launched in 2011, *Picking* is a control and analysis programme which seeks the effective identification of nonconforming items, with the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Namely, *Picking* is Inditex's inspection and analysis instrument that befits at all times its production and logistics model to ensure that all items sold meet the exacting product health and safety standards. During the design stage, units of experts on health and safety at the formats assess the potential risk of each item. During manufacturing process, supervisors from external facilitators take representative samples of all hazardous items *in situ* at the facilities. External labs carry out analysis and tests on such samples. A detailed evaluation of such samples determines whether the product is approved, rejected, or requires changes to be compliant with Inditex standards.

63,420 inspection visits were carried out in 2018 within the *Picking* programme, and 933,980 analysis and tests were completed. The table below shows the evolution of the initial degree of compliance with the product health and safety standards (Clear to Wear and Safe to Wear):

Degree of compliance	2018	2017
CTW - Chemicals	99.1%	99.1%
CTW - Parameters	98.6%	98.9%
CTW	97,7%	98,0%
STW - Parameters	99.8%	99.8%
STW - Design	99.8%	99.8%
STW	99.6%	99.6%
CTW+STW	97.4%	97.6%

Laboratories that support the programme, found in the main manufacturing clusters, play a relevant role in the *Picking* Programme, and work in a standardized way using their own groundbreaking optimized analytical methods, and the quality of their results and the service they provide is subject to strict follow-up.

External Labs Network	2018	2017	Variation
Picking Programme	19	17	12%
Other Programmes	45	38	18%
Total	64	55	16%

Picking is a groundbreaking programme. In particular, new analysis methodologies alternative to the existing ones are constantly developed, ensuring a more effective use of resources throughout the control process. In this regard, mention should be made of Minilab, a portable laboratory that seeks through cutting edge screening methodologies, to reduce analysis times, carry out analysis and tests *in situ* at the factory, thus allowing an earlier decision-making and namely, correcting the production of non-conforming item at the initial manufacturing stage.

In 2018, 1,276 *Picking* – Minilab inspections took place and 17,212 analysis and screening tests were carried out for 6 *Clear to Wear* parameters.

Root Cause Analysis

If a good fails to comply with health and safety requirements and cannot undergo new processing under the available protocols, production thereof is automatically rejected by Inditex. Additionally, the Company would carry out Root Cause Analysis (RCA).

In this type of analysis, experts from the textile and/or leather sector visit the facilities (dye, wash, print and tannery) where production of the affected item takes place, in order to determine the origin of the incident and provide a corrective action plan for the facility in question.

47 RCA audits were carried out in 2018. The following causes accounted for nonconformity: first, the use of low quality chemical products (79%); second, manufacturing conditions with cross contamination (13%); third, use of fabrics with presence of restricted substances resulting from prior processing stages (2%), and last, sources of different origins (2%). The remaining (4%) corresponds to audits whose results are inconclusive.

As part of the continuous improvement of product health and safety programmes, both the causes of the incidents detected through the RCA, and the solutions given to the facilities are used as feedback in the manufacturing programmes (RtM and *The List by Inditex*).

Health and Safety-related claims

Safeguarding health and safety of our customers is a top priority at Inditex. Therefore, the Company has in place exacting standards, constant training and awareness-raising schemes, as well as thorough prevention and control programmes allowing it to reach the highest security standards in respect of appearance of nonconformities. Notwithstanding this, in the event of any potential incidents, product health and safety teams are permanently in contact and liaising with our customer service, countries management teams, and teams from any other areas within the Company which might serve as a potential communication channel of incidents and/or claims. In particular, any notice given or claim laid by any customer, inspection body, non-governmental organization or any other health, safety and/or environmental sustainability-related body, is addressed to our health and safety teams for evaluation and monitoring. As part of our commitment, where there are signs that a product on sale is likely to be hazardous, such product would be withdrawn from the market and all units thereof sold would be recalled, bringing such measures to the attention of our customers through the relevant channels.

In 2018 no product has been withdrawn from the market on grounds of product health and safety.

VI. Commitment to the Environment

Inditex's environmental strategy is provided in the Policy for Environmental Sustainability, available on the Company's website. Such Policy covers the environmental commitments, which cut across all its business areas and throughout its entire supply chain.

The three environmental strategies which seek to ensure the highest possible protection of the environmental resources result from such Policy:

- Biodiversity Strategy
- Global Water Management Strategy; and
- Global Energy Strategy;

In line with such three strategies, Inditex is also committed to protecting forest products, as specifically addressed in the Forest Product Policy

The commitment to clean energy and the implementation of circular management models at headquarters and logistics centres, are the pillars of Inditex's Environmental Management System, which is certified under the ISO 14001 international standard, implemented in all logistic centres, headquarters and own factories, with the objective of ensuring efficient and responsible environmental management. The Company expects to be awarded in 2019 the above referred certification for its new fabrics warehouse in Laracha (A Coruña), which commenced operations in 2018. Against this backdrop, a team of 25 people is charged with monitoring and assessing the appropriate implementation of the Environmental Management System and prevention of environmental risks associated with such centres.

Meanwhile, the Group's Enterprise Risk Management and Control Policy sets out the overarching principles, key risk factors and the general framework of action to manage and monitor the risks affecting the Group. Such Policy is enforced on the entire Group and is the pillar upon which an Integrated Risk Management System is built. Within the Enterprise Risk Management and Control Policy, business units represent the first line of defense that manages and monitors the different risks to which the Group is exposed, including risks related to climatology. Weather impacts a number of factors including availability and price of raw materials used in the Group's production processes. Likewise, pronounced changes in climate cycles may affect demand patterns.

Considering the Group's business activity, it is not faced with any environmental liabilities, expenses, assets, provisions or contingencies which might be significant regarding the net assets, financial situation and results of the Company. For such reason, no specific information in this field is broken down in this Report.

The Inditex Group did not receive any penalties or fines of significant amount for non-compliance with environmental laws or regulations through any of the channels available to this end in 2018. Likewise, the Group has no facilities in protected areas.

2016-2020 Sustainable Inditex Plan

The 2016-2020 Inditex Sustainable Plan has been implemented during the year. Such Plan aims to ensure the achievement of the following environmental goals:

- Maintaining the ZDHC: *Zero Discharge of Hazardous Chemicals* commitment within the supply chain;
- Reaching the Zero Waste to Landfill objective by 2025, regarding the generation of waste at the Group's headquarters, logistics centers, own stores and own factories;
- All own stores comply with the requirements of the Eco-efficient Store standard, including new openings and refurbished stores;

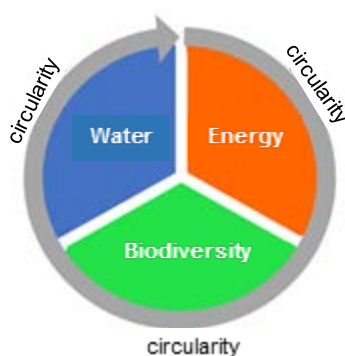
- Increasing the manufacture of more sustainable products, by using the most sustainable fibers or the best production techniques available, with the lowest environmental impact; and
- Reducing the emissions arising from the value chain, promoting a low carbon economy,

Based upon the results achieved under the Environmental Strategic Plan, Inditex has been ranked the most sustainable company in the global retailing industry by the Dow Jones Sustainability Index (DJSI) for the third straight year. The company scored a total of 68 points out of 100, putting it 45 points above the sector average, achieving the highest score in Environmental Management Systems and Policy.

Likewise, Inditex has been included in the ranking of the Global 100 Most Sustainable Corporations, disclosed by Corporate Knights, in the 54th position. Such index assesses economic, social and governance indicators. Inditex is ahead of the other three Spanish companies included in this ranking.

Last, Inditex is the leader in climate change, according to Carbon Disclosure Project (CDP), (the international non-profit organization that assesses more than 5,600 companies every year), pointing out the Group's efforts to reduce Greenhouse Gas (GHG) emissions, in risk management and in governance. According to CDP, regarding the forest and water issues, Inditex remains at the top of the ranking, above the average in the sector.

The Inditex Group applies multidisciplinary measures to protect biodiversity, reduce its impact in terms of water and energy consumption, as it takes a step forward to circular economy, closing the loop of its business model.



Biodiversity

Inditex Biodiversity Strategy is based upon the principles established in the United Nations Convention on Biological Diversity, a legally binding international treaty, whose three main objectives are: the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources. The mission of such Convention consists of promoting measures that lead to a sustainable future.

Product and raw materials

The Company is committed to protecting the planet through a responsible management of natural resources. Inditex pays special attention to the raw materials it chooses to manufacture its products. Following the fundamental principles of our Environmental Sustainability Policy and the 2016-2020 Environmental Strategic Plan, one of our priorities is to promote the use of more sustainable fibres which have a lower impact on the environment and reflect a more efficient use of resources.

In 2018, the Company has used approximately three hundred different types of raw materials. All of them have been classified based upon their origin, into two large categories: fibres and non-fibres. In 2018, Inditex Group consumed 88.24% of fibres and 11.76% of non-fibres.

In turn, fibres have been classified in three different groups based upon their origin: natural fibres⁷ represent 48.90%, synthetic fibres⁸ 38.70% and last, man-made fibres⁹ 12.40%. Included in the “non-fibres” group are a majority of raw materials both of natural origin (plant, animal and mineral) and man-made, which given their scarce materiality regarding total consumption by the Group do not require an individual breakdown.

In 2018, all the formats of the Group have continued working under Join Life, its labelling standard that identifies collections made with the most sustainable raw materials and the best technologies serving the production. In 2018, Inditex has offered to the market 136.32 million Join Life garments, 85.13% more than to the previous year,

In this way, the Group stresses and promotes the best technologies and the use of the most sustainable raw materials, such as organic cotton, TENCEL®Lyocell, REFIBRATM Lyocell and recycled polyester, polyamide, cotton and wool. Additionally, new raw materials have been added during the year, such as the most sustainable viscose that meets the European Union Best Available Techniques standard and the Forest Product Policy, organic linen and recycled polyamide.

The number of garments associated with the main more sustainable raw materials in 2018 and the variation thereof versus the previous year is shown in the table below:

Raw material	Number of garments	Variation
Organic cotton	102,847,332	75.10%
Recycled materials	13,906,931	284.71%
TENCEL®Lyocell	13,244,599	44.36%

As a result of this strong effort to use more sustainable raw materials, Textile Exchange, an independent organization, has ranked Inditex as the fourth company on a global scale in terms of consumption of organic cotton by volume¹⁰. In 2018, Inditex was ranked the second company in its sector in consumption of sustainable fiber Lyocell¹⁰ according to the above referred organization, which has also ranked Inditex fourth in the world in terms of consumption of other cellulose fibers of a sustainable origin.

In 2018, the Company put a total of 13.91 million garments made from recycled materials on the market, which represents a 284.71% increase in the consumption of such fibres compared to the previous year. In production processes with recycled textiles, less water, energy and natural resources are consumed than in the creation of new fibres, therefore the environmental impact is lower. That is why at Inditex, we have been working for years with companies specializing in the conventional recycling of cotton and polyester. Inditex has been ranked in the eighth position in the classification of companies with a higher consumption of recycled¹⁰cotton.

Partnerships

Additionally, Inditex is a founding member of the Investment Committee of *Organic Cotton Accelerator*, (OCA), a multi-sectorial initiative created to promote the organic cotton sector, benefiting and promoting

⁷Natural fibres are substances produced by plants and animals that can be spun into filaments, thread or rope.

⁸Synthetic fibres are made of polymers that are not produced naturally, but are produced entirely in the chemical plant or in the laboratory. In their vast majority, they are coming from petroleum or natural gas by-products.

⁹Man-made fibres are formed from a natural component as a raw material that undergoes different transformations in a chemical plant or laboratory.

¹⁰ Source: *Organic Cotton Market Report 2018, Textile Exchange*

farmers. In 2018, Inditex launched two projects to directly collaborate with more than 500 farmers to promote the production of organic cotton.

With regard to man-made cellulose fibers (MMCF), progress has continued towards achieving the objective established in Inditex Forest Product Policy that seeks to ensure that man-made fibres used in garments are not sourced from unprotected forests. To achieve this, the Company closely works with the Canopy Planet organization in the *CanopyStyle* initiative. Inditex and other retail brands promote, among the largest global suppliers of forest raw materials, positions aligned with the philosophy of protecting primary forests with a high conservation value. At present, 170 brands have endorsed such initiative which has allowed that in 2018, 72% of the global production originates in manufacturers who have adhered to the policy not to source in primary protected forests, and to make progress to reduce pressure on forests through innovative solutions. Additionally, 52% of the global production originates in manufactures who have completed the audit process, and 28% of the world production is free from the risk of sourcing in primary/threatened forests.

Likewise, within the scope of its forest strategy, Inditex has been working with the Galician Government and the Lourizán Forestry Research Centre since 2007, supporting the programme for genetic improvement of the main forest species in Galicia.

In addition, the Company has been working since 2015 with the Galician Forestry Association to design and create a forest test (Pico Sacro Mountain) that can serve as a biological carbon sink model. It can also be used as a forestry laboratory for disclosing the project results, supporting Galician foresters by transferring what was learnt through the project and defining and publishing environmental indicators for forestry and CO₂ absorption. Following the calculation process recommended by the Office on Climate Change of Spain, it is expected that the trees planted as at 30 June 2018 would allow CO₂ absorption in trees to reach 639.5 tons in 30 years, which represents 66.6 CO₂ tons per plantation hectare.

All wood based products used in the Group's stores comply with the company's Forest Products Policy. All furniture and paper products have sustainable forest certification PEFC or FSC stamps, ensuring that the entire production process of forest-origin raw material is carried out in a controlled manner and following sustainability criteria.

Water

The Global Water Management Strategy constitutes the roadmap that allows Inditex to work with all its stakeholders towards a sustainable and rational water management. Inditex follows the principles laid down in the CEO Water Mandate, a United Nations Global Compact initiative, to which environmental and social aspects are associated, as the water affects the quality of rivers ecosystems, being on the other hand an essential resource for the development of many communities.

Production

Inditex has continued making efforts in 2018 to ensure that its supply chain meets the requirements of its own standard *Green to Wear*, aligned with the commitment to Zero Discharge of Hazardous Chemicals by 2020. The Company supports the suppliers so that they can achieve a sustainable environmental performance in terms of water, and improve energy efficiency and waste management, Progress made regarding this initiative are public, and are available on the www.wateractionplan.com website.

In accordance with the requirements of *Green to Wear* Programme, Inditex works with its suppliers with the aim of promoting the environmental improvement of the wet processes in textile manufacturing. Thus, since the launching of this programme in 2014, we have carried out 1,364 environmental assessments in wet process facilities. During inspection visits to wet process facilities, continuous improvement actions are carried out to advance the environmental management of these production units. In this way, in 2018 alone 135 new environmental improvement plans have been successfully completed. As a result of its commitment to transparency, Inditex s updated in July 2017 its list of factories where wet processes are carried out and which are part of its supply chain.

On the other hand, Inditex supports the transparency initiative of Zero Discharge of Hazardous Chemicals organization (hereinafter, "ZDHC"). Likewise, as part of this support, Inditex collaborates with its suppliers in disclosing the results of wastewater analysis further to the *Green to Wear* audits, through *Gateway*, a portal specifically designed by ZDHC to help suppliers disclose the results of wastewater analysis further to the *Green to Wear* audits.

Inditex also works with the Chinese Institute of Public and Environmental Affairs (hereinafter, "IPE"), to improve the environmental management of its supply chain, and collaborates with its suppliers in disclosing the results of wastewater analysis on the Institute's website. In this regard, a map is in place that monitors pollution produced by textile companies in China. The map associates the list of each brand's suppliers with environmental data, wastewater discharge and GHG emissions.

In addition to its commitments to Zero Discharge and transparency, referred to above, Inditex has in place a PFCs Free Policy, mandatory for all the suppliers of the Company, which requires that its garments are free from perfluorocarbons (PFCs).

Further to compliance with all such commitments, Inditex is the global leader in the *Detox Catwalk 2016*, ranking. This is an evaluation carried out by Greenpeace that reviews compliance by textile brands with the commitments set out in the 2020 Detox Plan, their transparency and the exclusion of perfluorocarbons in their products. Likewise in 2018, Greenpeace has flagged Inditex as the "leader in this change of paradigm" in its Destination Zero report.

Distribution, stores and own factories

To monitor water consumption we directly measure and assess the bills of suppliers (public supply networks) of our headquarters, logistics centres, own stores and own factories. In 2018, the aggregate water consumption of the Group's headquarters, own factories, logistics centers and own stores, has amounted to 1,256,167 m³. Inditex has continued its decreasing trend in terms of relative water consumption by garment¹¹ by 6.40% compared to 2017, further to the efficiency and water saving measures implemented at its facilities.

Authorized public supply networks provide water to all centres, which is used both for consumption and for processes. The highest water consumption is domestic, mainly for cleaning and toilet use, ensuring its discharge into municipal wastewater systems. Meanwhile, in industry, water is mainly used for steam generation and closed-circle industrial refrigeration, where recirculation systems are used. Refrigeration systems are closed cycle as there are no production processes where water is consumed. This allows estimating that the water discharged is equal to water consumed. Wastewater discharges from all facilities are into sewage networks, always with the required administrative permits and ensuring compliance with current regulations through periodic analysis. Inditex has no impact on protected habitats.

Energy

The Global Energy Strategy is, together with water and biodiversity, one of the main pillars that sustain the Group's commitment to environmental sustainability. This strategy seeks to promote a rational and efficient use of energy across the entire value chain, reducing GHG emissions, while at the same time helping mitigate their effects.

In line with such Global Energy Strategy, the Group has subscribed this year the Fashion Industry Charter for Climate Action, under the auspices of UN Climate Change. Aligned with the goals of the Paris Agreement, the Charter contains the vision to achieve net-zero emissions by 2050 and defines the

¹¹ Garment ratios (absolute value for the year/number of garments put on the market during the year) x 1,000) include those units put on the market through all the stores, whether own or franchised. Sales ratios will be published in the Annual report, as the data sales are not available at the time of this report.

challenges that the signatories will face, from decarbonization at the production stage, to selection of sustainable materials, transport with low carbon emissions, the improvement of dialogue, raising awareness among consumers, working with the finance community and policymakers to catalyse scalable solutions and supporting the movement towards circular business models.

Six Working Groups have been established to deliver on the principles of the Charter. Signatories will work to define the steps for the implementation thereof, and the establishment of an initial target of 30% GHG emissions reduction by 2030 and other specific measures such as the phase-out of coal-fired boilers or other sources of coal-fired heat and power generation within their organizations and those of their direct suppliers by 2025 at the latest.

Logistics and Distribution

To ensure that all the Inditex Group's facilities meet the cross-cutting requirements for sustainable construction, the Group's most emblematic facilities are certified since 2009 under the most prestigious standards in sustainable construction: *LEED* and *Breeam*. At 2018 year end, 10 of the Group's headquarters and logistic centers have been *LEED* and *Breeam* certified: 8 of them are *LEED* Gold, one *LEED* Platinum and one *Breeam* certified. In 2018, Stradivarius headquarters at Cerdanyola (Barcelona) have been *LEED* Gold certified. As another highlight of 2018, the *LEED* Gold certified canteen of Zara Logística in Arteixo, has been recognized again by Slow Food as a Km 0 restaurant, the first canteen of a company of such size to be so recognized in Europe. Food is daily served to some 1,700 people and 65% of the purchases are local, allowing to offer healthy cuisine with seasonal organic products. Inditex's Data Processing Centre in Arteixo is *LEED* Platinum certified, and has continued in 2018 to be certified under international standard ISO 50001 regarding its energy management and favours the most efficient and sustainable use of energy.

Likewise, Inditex's commitment to renewable energies continues to be strong, through the generation of power from renewable facilities at its logistic centers and the purchase of energy of certified renewable origin. Thanks to all such sources, Inditex's consumption from renewable sources in 2018 has reached 836,442 MWh, meeting 44.86% of its energy needs. The Inditex Group has co-generation systems which allow producing at the same time heat and energy from low-carbon fuel. In 2018, 17,317 MWh were generated from co-generation plants.

Eco-efficient stores

Eco-efficiency is a priority upon designing the stores of the Group. To achieve this, the Group relies on the Eco-efficient Store Manual, that seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the different installations and systems of all the stores, as well as the operations to be carried out. These stores represent a 20% reduction in electricity consumption and a saving of up to 40% of water when compared to a conventional store. Inditex has continued opening and refurbishing its stores and in 2018, 426 stores have embraced the requirements laid down in the Manual. In 2018, the number of eco-efficient stores is 5,494. This means that 85.68% of all own stores are already eco-efficient.

To ensure an appropriate energy management, Inditex relies on a centralized efficiency platform that connects and monitors HVAC and electricity installations of eco-efficient stores. At 2018 year-end 3,191 own stores are connected to the efficiency platform, which allows controlling and optimizing the management of HVAC and electricity installations.

Meanwhile, at 2018 year-end, the Group has 38 own stores which have been certified under *LEED* and *Breeam*: green building standards: 10 of them have been certified under *LEED* Platinum, 27 Gold *LEED* certified, and 1 under the *Breeam* seal. In 2018, 8 new flagship stores have been certified under *LEED* seal (Massimo Dutti - Colón Valencia, Uterqüe - Serrano, Zara - Kangnam Seoul, Pull and Bear - Preciados, Zara Home - Paseo del Borne, Zara Home - The Place, Zara - Oslo Karl Johansgate and Zara - Plaza de Cataluña).

In 2018, the Group has successfully honoured the commitment undertaken in 2015 with Mr Chenk Ji Ning, former Minister for Environmental Protection of the People's Republic of China. The Group had

undertaken to implement its Eco-efficient Store model in all the stores in the country (both new and existing ones) by 2018, two years before the rest of the markets. China has thus become the first market in the world where 100% of stores are eco-efficient. Thanks to the measures put in place, upwards of 35,000 tons of GHG emissions have been prevented.

Energy consumption and Greenhouse Gas Emissions

In order to improve energy efficiency and promote a low-carbon economy, Inditex has implemented its own systems aimed at optimizing energy consumption and reducing GHG emissions at headquarters, logistics centres, own stores and own factories.

In 2018, global energy consumption of all the Group's headquarters, own stores, logistics centres and own stores worldwide has amounted to 1,968,394 MWh¹². In this regard, despite the fact that facilities at headquarters have increased by upwards of 250,000 m² for office, design and logistics purposes, the measures implemented to promote energy saving have allowed consumption by garment¹¹ to remain almost unchanged (0.8%). Disregarding the effect of the increased surface at the Group's headquarters, consumption by garment has been reduced compared to the previous year.

Inditex remains strongly committed to purchasing energy of certified renewable origin, to meet its goal that by 2025 80% of the energy consumed at its facilities comes from renewable energy sources. In 2018, the Group has reached a total 835,866 MWh¹³ in its buildings in Spain, Germany, Austria, Belgium, Brazil, France, Greece, the Netherlands, Ireland, Luxembourg, Monaco, Poland, Portugal, UK, Turkey and Switzerland, preventing the emission of upwards of 274,339¹⁴ tons of GHG emissions

The Company has set in train plans to replace HVAC equipment with class A energy efficient ones at existing stores, ensuring the absence of gases affecting the ozone layer. Likewise, thanks to the eco-efficiency measures implemented at own stores, significant savings in electricity are achieved. Main reductions are associated with HVAC system, with an estimated average 40% saving and the subsequent reduction of GHE emissions.

The above referred courses of action to promote energy efficiency together with Inditex's commitment to renewable energies has resulted in the reduction of GHG emissions associated with its business activity. In 2018, direct scope 1 emissions amounted to 20,994 tons of CO₂eq¹⁵ and indirect scope 2 emissions stood at 479,386 tons of CO₂eq¹⁴.

On balance, Inditex has reduced relative scope 1 and 2 emissions achieving 313.27 gCO₂eq by garment¹⁶. Compared to 2017, reduction this year has reached 0.73%¹⁷.

For the purpose of improving our efficiency associated with distribution and logistics operations, Inditex has continued improving the efficiency of its fleet and including measures to optimize packing and packaging to thus reduce indirect scope 3 emissions associated with transport. In 2018, indirect scope 3

¹²To calculate the electricity and natural gas consumption of logistic centers, headquarters and own factories, certain consumptions at November, December and January in FY2018 have been estimated, as details are not available at the time of this report. For such reason, consumption of own stores and franchised stores for the second half of FY2018 has been estimated.

¹³ Regarding Spain, the Netherlands, Greece, Portugal and Switzerland, the period of the data is the calendar year instead of the financial year (time period established in this report). In Poland, consumption in certain months is unknown, therefore, consumption in such months has been estimated.

¹⁴ Emission factors applied to the energy mix for each country are taken from the GHG Protocol Tool for Purchased Electricity, version 4.9 of the World Resources Institute, 2017

¹⁵ Emission factors applied to the energy mix for each country are taken from the GHG Protocol Tool for Stationary Combustion, Version 4.1 of the World Resources Institute, 2015

¹⁶ Garment ratios ((absolute value of the year / number of garments yearly put on the market) x 1,000,000) include those units put on the market through all the stores, whether own or franchised. Sales ratios will be published in the Annual report, as the data sales are not available at the time of this report.

¹⁷ Data on emissions reported in the 2017 Management Report were calculated based upon estimated consumption data. Such data were updated in the 2017 Annual Report based upon real consumption data. Scope 1 and Scope 2 data for FY2017: 489,179 tons CO₂eq

emissions associated with Downstream Transport amounted to 926,764 tonesCO₂eq¹⁸ and those associated with Upstream Transport 676,642 tons CO₂eq¹⁸. Such GHG emissions represent energy consumption of 4,263,677 MWh¹⁵ and 3,067,283 MWh¹⁵, respectively. Compared to 2017, there is a slight increase of indirect emissions associated with transport, in absolute terms, due to the growth of the Company.

In 2018, indirect scope 3 emissions of franchised stores of the Group were 124,123 tons CO₂eq¹⁹, equivalent to energy consumption of 232,737 MWh. Compared to 2017, there is a slight increase of GHG emissions associated with the growth of franchised retail floor area.

On balance, Inditex has reduced relative scope 3²⁰ emissions achieving 1,081.56 gCO₂eq by garment¹⁶. Compared to 2017, reduction this year has reached 0.11 %.

With regard to transport, the Company encourages efficiency of routes and optimization of loads. This year, Inditex has continued resorting to the fleet of mega-trucks, launched in 2017, which allows increasing up to 50% the capacity of usual trucks, with the subsequent cut of CO₂.emissions.

A highlight in the field of transport in 2018 has been the debut of the so-called duo trailer, which began providing carriage services in August 2018 through a national authorization. It has travelled 58,457 kilometres since its debut. The use of this truck represents a 100% increase of the loading capacity of a conventional trailer.

Additionally, thanks to load optimization, the number of trucks has been reduced in 1,480 vehicles in European road routes. With this action, the Group has been able to save 2,500,000 kilometers and their associated emissions. Taking advantage of the flows of routes servicing stores in Europe and for the purpose of preventing empty backhauls, these trucks are used for returns of goods to Spain. This year, 5,163 trucks were used in these flows of returns, which has entailed that the Company has saved 9,000,000 kilometers and their associated emissions.

Mention should also be made of the consolidation of imported goods by air and by sea which has resulted in a saving for the Group in 2018 of 66,905 road kilometers in Europe.

In 2018, two new routes were opened for LNG (Liquified Natural Gas) powered trucks, which have travelled 410,000 kilometers carrying goods of the Group. Compared to conventional fuel, the use of LNG reduces GHG emissions.

Circularity

In addition to its three environmental strategies (energy, water and biodiversity), Inditex is committed to completing the life cycle of its products and the materials used in them, so as to generate as little waste as possible.

Zero Waste to Landfill

Continuing with the 2016-2020 Environmental Strategic Plan, the Inditex Group works to achieve that by integrating circular economy in our business model, in 2025 none of the waste from its activities is sent to landfill (Zero Waste programme).

The appropriate waste classification at our facilities is the essence of the Zero Waste programme, as duly classified waste becomes material resources. The Group has developed internal devices to optimize

¹⁸Emission factors applied to the different transportation modes are taken from the GHG Protocol Tool for Mobile Combustion, version 2.6 of the World Resources Institute, 2015

¹⁹ Electricity consumption has been calculated using real data from the central monitoring platform. To estimate mean consumption for the first half of the year, data from 1,316 stores was been considered, and 100% of them were eco-efficient stores. The electricity consumption for the second half of the year has been estimated as details are not available at the time of this report

²⁰The efficiency ratio includes the indirect emissions associated with Downstream Transportation, Upstream Transportation and the Franchised Stores.

separation and compaction of materials, reduce GHG emissions associated with transport thereof and improve ergonomics during the process.

All waste produced by Inditex is collected through its own collection circuits and managed by legally authorized managers, promoting their recycling (mainly paper and cardboard, wood, plastic, metal and textile remnants) or their recovery. In 2018, 88.09 % of the Group's waste has been sent to be reused and recycled through the above referred circuits, thus preventing the use of virgin raw materials.

Likewise, associated with the Group's products, we place packing and packaging materials (bags, labels, protective elements) on the market that are managed by the Packing and Packaging Management Integrated Systems available in the markets where the Group operates. This means that every Inditex brand pays an authorized not-for-profit managing entity in each country (for instance, in Spain, Ecoembes) the cost involved in the collection and management of waste generated by the stores, ensuring that they are appropriately recycled.

Waste generation in absolute terms in 2018 at headquarters, logistics centres and own factories is provided below (stores data not included):

Type of waste	Kg	(%)
Carboard and paper	14,193,929	64.99%
Wood	3,609,294	16.53%
Other urban waste	2,574,914	11.79%
Plastic	712,435	3.26%
Textile waste	521,229	2.39%
Metal	166,363	0.76%
Hazardous waste	62,794	0.29%
TOTAL	21,840,958	100.00%

Inditex recycling and reusing proceedings also cover other areas. For instance, alarm tags and hangers are reused: 1,201 million alarm tags and 120 million hangers were reused in 2018.

The Company encourages source reduction and recycling improvement through training projects for its employees. In 2018, training on waste management was provided to 1,233 employees at the Group's facilities.

Green to Pack

Inditex has continued implementing the *Green to Pack* programme that sets standards for the quality of its packaging, allowing the company to use recycled materials, extend their useful life and subsequent recycling. The programme, which targets optimization and recycling of packaging, results in savings on resource consumption and optimization of transport.

Through *Green to Pack*, work has continued to improve the quality of the cardboard boxes in which garments are shipped from suppliers. Since the start of the project in 2016, almost 1,876 suppliers have joined the *Green to Pack* Programme and have acquired close to 10,750,000 certified boxes. At present, *Green to Pack* is has been implemented at all the brands of the Group-

With regard to e-commerce, Zara has in place a programme to manufacture cardboard boxes for online orders made from recycled boxes. The outer plastic bag protecting such boxes has been removed.

The removal of plastic bags during sales periods is slated for Zara throughout 2019, and as regards the remaining formats of the Group that use plastic bags, the applicable laws and regulations in this field are

complied with, their thickness being equal to or greater than 50 microns with a percentage equal to or greater than 70% of recycled plastic.

Inditex is also innovating to achieve that all plastics used to conduct its activities may be reused, recycled or composted in order to reenter the circuit. In line with this goal, the Group has subscribed the *New Plastics Global Economy Commitment*, driven by the *Ellen MacArthur Foundation* in partnership with *United Nations Environment*.

In 2018 the Company has continued improving its freight density for shipping, which results in savings on resource consumption and optimization of transport, with the subsequent reduction of CO₂ emissions associated thereto. The type of boxes used for footwear has been standardized, reducing the number of cardboard covers in shipments to stores, and the inner cardboard in lingerie has been reduced.

Closing the Loop

Inditex has developed a project of its own known as *Closing the Loop* to offer its customers and employees the best channel to collect used garments, footwear and accessories to give a second life to the garments and promote closing the life cycle of the textile products. Additionally, thanks to this project social employment is driven, as well as collaboration with social entities and the third sector. As part of its commitments to the Global Fashion Agenda, Inditex intends to extend *Closing the Loop* to 2,000 stores in 40 markets by 2020.

Closing the Loop is currently implemented at all headquarters, logistics centres and own factories of the Group and in 834 Zara stores in 24 markets worldwide. Thus, containers to collect used garments are available in Zara stores in Spain, Portugal, United Kingdom, Denmark, Sweden, Ireland, the Netherlands, France, Norway, China (including Hong Kong SAR, Macau SAR and Taiwan), Australia and Lebanon. In 2018, the programme has also extended to other brands, such as Pull & Bear, Bershka, Oysho and Tempe, with 524 stores of all such formats having implemented the programme in Spain. Likewise, pilot tests are under way in 24 Zara Home, Stradivarius and Massimo Dutti stores in Spain.

This repair and reuse of old garments programme has also been made available in the year to Zara's online customers in Spain and China (in Beijing and Shanghai only). In Spain, in partnership with Cáritas, containers have been installed in the streets available to all citizens. At year end, the number of containers amounted to 1,856.

Thanks to this programme, upwards of 34,157 tons of garments, footwear and accessories have been collected since 2015.

Inditex collaborates with a number of institutions, including MIT through its MISTI initiative, different Spanish universities and with Austrian company Lenzing, to make progress in textile recycling processes and technologies that contribute to the circular economy. The company's investment in technology for textile recycling is expected to reach USD 3.5 million by 2020, pursuant to the commitments undertaken under the Global Fashion Agenda. Against this backdrop, 2018 Inditex has already invested some USD 840,000 in technology for textile recycling with MIT and Cáritas.

Design and Product

In 2018, Inditex has continued promoting sustainable innovation to implement new materials and technologies to improve recycling of textile fibres. In this regard, mention should be made of its collaboration with Lenzig, an Austrian company, to convert textile waste into a new material, REFIBRA™ Lyocell that can be used in the items sold by the Group. Additionally, the Company has launched this year the *Garments with a past* campaign, that seeks to raise awareness about the environment, through a sustainable fashion collection. In this collection, garments are made from recycled polyester and cotton, obtained from leftovers from cutting operations to reintroduce them in new garments.

Inditex has assumed in 2018 the Global Fashion Agenda commitments, according to which all designers of the Group should have been trained on the Principles of Circular Economy by 2020. The company has designed a roadmap for such purposes, its initial step being the preparation of an online introductory

course addressed to designers covering both the conceptual framework and the main strategies of circular design: design for product recyclability and design for product durability.

Likewise, in 2018 Inditex has continued developing contents and methodologies on environmental training. Specific contents have been prepared based upon the needs of each group. Training on environmental sustainability has been provided at headquarters, logistics centres, own factories and stores. Contents range from raising Inditex sustainability strategy, getting to know the products, how to employ more sustainable raw materials, and the procedure for an appropriate waste management and separation in all scenarios for the Group. In aggregate, 11,526 employees have received environmental training since 2014.

VII. Customer Service Excellence

Inditex maintains a constant dialogue with its customers, who can communicate and interact with each of the Group's formats and keep updated on any new commercial development through different channels. In 2018, the formats of the Inditex Group had more than 143,000,000 followers in the different social media, Facebook and Instagram of each format (with upwards of 60,000,000 and 55,000,000 followers, respectively), being those with the largest number of users. In addition to social media, more than 29,032,743 contacts from clients made through different channels (phone calls, emails, chats and messages via social media) were attended to by the customer service area of each format. Such contacts concerned a large number of topics including, without limitation, queries regarding goods, purchasing process, shipments, potential incidents or current affairs affecting the formats. The service level achieved (percentage of contacts attended on total) was 91%.

Inditex works to ensure accessibility to its facilities. In this regard, the stores of the Group comply with architectonic standards that allow disabled people access and circulation inside the premises, while ensuring at the same time a satisfactory shopping experience for its customers.

Accessibility to the corporate websites is also a significant issue. Thus, in order to improve access to the Zara website, and remove barriers for disabled users. Zara has been working since 2015 with the company *Iluni3n Tecnologa y Accesibilidad*, in order to provide an inclusive shopping experience for all its disabled customers, both existing and potential. Through this collaboration, all processes and functionalities of the Zara online store have been largely improved, including the search and selection of garments, the purchase process or the channels through which users can contact the Company. At the same time, all the websites of the Inditex Group comply with the Accessibility Guidelines or General Standards of Accessible Design established by Web Accessibility Initiative (WAI) Working Group, a part of W3C.

VIII. Contribution to Community welfare

Inditex's Corporate Community Investment model (CCI) encompasses the activities that illustrate the company's commitment to contributing to social development, in the communities that have needs to be met, especially in the geographic areas where Inditex operates. These activities comply with the following principles:

- The contribution is voluntary: the company has no legal or contractual obligation whatsoever when it comes to making the contribution.
- Contributions shall be for non-profit and target social and/or environmental benefit: supporting any initiative aimed at social and/or environmental well-being. However, contributions to schools, universities or public administrations can also be included, despite the fact that they not meet the requirement of not being non-profit organizations but their purpose is contributing to social well-being.

- Beneficiaries shall not be restricted: contributions shall be open to all potential beneficiaries, without prior classifications which may be discriminatory or beneficial to them on account of their belonging to or being related to companies in their capacity of customers, offspring of employees or any other similar circumstance. This does not mean that the activity in question may not be restricted to a limited group of specific individuals (ranged per age, training or other description), but instead, that it cannot be restricted on account of the relationship of such group with the company in question itself.

Considering all the foregoing, Inditex understands investment in social programmes as an opportunity to contribute the development of society by applying its business resources – both in cash and in kind, and in terms of time allocated by its staff.

Inditex's strategy regarding community investment is addressed in the Corporate Citizenship Policy, which is available on the Company's website.

Inditex's investment in the community materializes in collaborating with specific projects. Inditex prioritizes long-term strategic projects for specific activities, together with the community, always subject to a thorough monitoring and accountability process, rather than occasional contributions for the general purposes of non-profit organizations.

Each social initiative which is part of Inditex's community investment programme is submitted to a thorough process to measure contributions, achievements and impacts. For such purposes, Inditex uses, among others, the LBG methodology, based upon the following management grounds:

- Careful assignment of contributions in the community;
- Measuring achievements obtained; and
- Evaluating the impact of the components of the project separately, in order to assess, on the one hand the origin of profit, and on the other the programme as a whole.

In 2018, Inditex has gained deeper knowledge regarding the link between its Corporate Community Investment model and the United Nations Sustainable Development Goals. This commitment is embodied in specific projects, in partnership with non-profit organizations, which target the following action lines:

- Education: understanding as such proceedings focused on providing opportunities through quality education which gives young people the opportunity of a decent life and encourages social justice and their personal growth;
- Social welfare: understanding as such all initiatives which encourage employment and entrepreneurship of vulnerable groups, encouraging labour integration of people at risk of social exclusion;
- Emergency Relief: understanding as such all relief actions focusing on protecting life, health and wellness of people in emergency situations on account of natural disaster or similar circumstances.

The main examples of these three lines of action in 2018 are shown in the table below:

Activity area	Non-profit organizations	Project	Geographic area
Emergency relief	Entreculturas	Supporting victims of the armed conflict in Colombia	Colombia, Ecuador and Venezuela
	MSF	Supporting Emergency Unit	Global
		Attention for Rohingya refugees	Bangladesh
		Supporting Al Salamah Hospital	Syria
		Supporting migrants	Mexico
Social welfare	Cáritas	Promoting employment of people at risk of social exclusion	Spain
		Supporting population in case of natural disasters and improving quality of life at the most deprived areas of Dhaka	Bangladesh
		Health and community development	Cambodia
	COGAMI, Fundación Molí d'en Puigvert, Moltacte, Fundación Prodis	for&from: integration in the workplace of disabled people	Spain
	Every Mother Counts	Prenatal care and attention to pregnant women	Bangladesh and USA
	Médicus Mundi	Improving well-being of workers in the textile sector	Morocco
	Water.org	Providing access to drinking water and sanitation for the underprivileged	Bangladesh, Cambodia
Education	China Youth Development Foundation	Access to education in rural areas	China
	Entreculturas	Access to quality education and vocational training	Asia, Americas, Africa
	Universidade de A Coruña, Universidade de Santiago de Compostela, University of Dhaka, Tsinghua University, Beijing Normal University, MIT, Universidad Pontificia Comillas, Universidad Miguel Hernández	Partnership with universities to encourage quality higher education	Spain, Bangladesh, China, USA

In 2018, Inditex invested 46,218,895 euros in social programmes.

With regard to the types of contribution, they can be classified in the following four classes:

- Cash contribution: this is the aggregate amount invested by Inditex in social programmes together with non-profit organizations;
- Time contributions: this is the proportional cost to the company of employees' time paid by the company but spent on community activities of a social nature during working hours;
- In-kind contributions: this includes donations of products – garments, mainly- to charities;
- Management costs: these refer to estimated expenses which are incurred by the company for general management of community projects.

Type of contribution	Euros	%	
Cash	30,109,825	65%	% management costs included
Time	3,542,309	8%	
In kind	11,935,563	26%	
Management costs	631,198	1%	
TOTAL	46,218,895	100%	

Likewise, Inditex reports its voluntary contributions to the community, according to the following classification:

- One-off charitable gifts: institutional donations to the general goals of charities;
- Community investment: a long-term strategic commitment to collaborating with the community to support specific social activities; and
- Commercial initiatives in the community: initiatives of social interest directly related to the company's retail activity.

Category	Euros	%	
One-off charitable gifts	1,801,149	4%	% management costs excluded
Community investment	36,179,975	79%	
Commercial initiatives in the community	7,606,572	17%	
TOTAL	45,587,696	100%	

With regard to the activity area: 41.9% of the Group's community investment targets social welfare—namely promoting employment of vulnerable groups—; 19.8% emergency relief and 16.4% education. In 2018, in line with the strategy for social intervention defined in the Corporate Citizenship Policy, upwards of 78.1% of investment in social programmes has been allocated to reinforcing Inditex's three main strategic pillars in the field of social contribution.

Activity area	Euros	%	
Social welfare	19,098,184	41.9%	% management costs excluded
Emergency relief	9,044,622	19.8%	
Education	7,468,318	16.4%	
Health	3,861,618	8.5%	
Environment	3,586,327	7.9%	
Economic development	1,610,820	3.5%	
Art and culture	870,924	1.9%	
Others	46,884	0.1%	
TOTAL	45,587,697	100%	

With regard to the territories where social programmes are implemented, Inditex gives priority to regular contributions to the communities made at corporate level in such geographic areas where the Group

operates, namely at Inditex clusters (defined and listed in section IV above). Likewise, the Group's subsidiaries act within their borders in terms of social programmes, implementing projects in proximity that maximize the positive impact thereof within their sphere of influence. The investment in social programmes in 2018 broken down per geographic areas is shown below:

Geographic area	Euros	%	
Spain	20,297,453	45%	% management costs excluded
Americas	10,208,058	22%	
Asia	7,291,146	16%	
Europe	5,643,921	12%	
Africa	1,745,070	4%	
Australia	402,049	1%	
TOTAL	45,587,697	100%	

In 2018, Inditex has continued making progress upon linking its model of investment in social programmes with the UN Sustainable Development Goals. Thus, the main Sustainable Development Goal has been identified in respect of each of the social initiatives carried out during the year. As a result of this and in line with Inditex's activity throughout 2018, proceedings regarding investment in the community have centered around Sustainable Development Goals no. 8, 10 and 12. Additionally, Inditex has significantly contributed to Sustainable Development Goals no. 3 and 4. Namely, Inditex has allocated more than 84% of its investment in social programmes to social initiatives mainly targeted at some of those Sustainable Development Goals.

SDG	Euros	%	
10. Reduce inequality	9,294,145	20%	% management costs excluded
8. Decent work and economic growth	8,334,396	18%	
12. Sustainable consumption and production patterns	7,745,279	17%	
3. Good health and well-being	7,260,232	16%	
4. Quality education	5,824,809	13%	
Others ²¹	7,128,836	16%	
TOTAL	45,587,697	100%	

²¹ Other profiles refer to people: who have a disease or condition, are disabled, unemployed, are victims of sexual abuse/harassment, are homeless, etc.,

Social programmes implemented throughout 2018 have directly benefited 2,425,639 people. With regard to the type of direct beneficiary, below is a breakdown by situation:

Type of direct beneficiary	No. people	%
People living in developing countries	851,196	35%
Socially vulnerable people	595,727	25%
Refugees	315,130	13%
Immigrants	101,171	4%
Other profiles	562,415	23%
TOTAL	2,425,639	100%

Inditex analyses the effects on beneficiaries resulting from social programmes implemented, both in terms of depth and of type of impact.

In terms of depth of impact, the effects of projects on their beneficiaries are broken down into the three following categories. The numbers recorded under each of the depth of impact headings are mutually exclusive:

- Connection: the number of people reached by an activity who have reported some limited change as a result of an activity;
- Improvement: the number of people who have reported some substantive improvement in their lives as a result of the activity;
- Transformation: number of people who have reported an enduring change in their circumstances as a result of the improvements made.

With regards to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories. In this case, the same beneficiary can experience more than one type of impact:

- Behaviour or attitude change: the activity has helped generate behavioural changes that improve the life of the people, Likewise, the activity has enabled a change in negative attitudes or prejudices, allowing people to make better decisions;
- Skills or personal effectiveness: the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, in the workplace or socially;
- Quality-of-life or well-being: the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical well-being.

Number of direct beneficiaries where results were measured	2,401,097	
Depth of impact: number that:		
Made a connection through the community activity	599,741	25%
Made an improvement through the community activity	1,450,128	60%
Made a transformation through the community activity	351,262	15%
Number of direct beneficiaries where results were measured	2,401,097	
Depth of impact: number that:		
Experienced a positive change in their behaviour or attitude as a result of the support	324,788	14%
Developed new skills or an increase in their personal effectiveness	59,921	2%
Experienced a direct positive impact on their quality of life as a result of the support	1,743,085	73%

IX. Corruption and bribery

Strategy

In order to reduce exposure to criminal regulatory risks, namely the risk of commission of offences related to corruption, fraud and bribery, Inditex relies, first of all, on a structure of high level basic standards, and a number of organizational documents which constitute the main pillars of the Company's Cross-cutting Compliance System. Such high level standards are:

- The Code of Conduct and Responsible Practices: it reflects Inditex's corporate culture and sets out the yardsticks for ethical behaviour that must be observed by all the Group's employees in the discharge of their professional duties,

Additionally, the Code includes a number of commitments to ethical conducts and responsible practices, including, as far as this section is concerned: compliance with applicable laws and regulations, and with Inditex's internal regulations; establishing lawful, ethical and respectful relationships with suppliers and public authorities, in line with international provisions to prevent corruption and bribery; the obligation to avoid and control conflict of interests situations; the duty to make an efficient use of the goods and services of the Company, and to protect the information thereof; the duty to record transactions with economic significance in a clear and accurate manner in the appropriate accounting records.

The new Code of Conduct for the United States and Puerto Rico was launched in May 2018, brought into line with the applicable regulations and best practices in such countries. Such Code is inspired by the Code of Conduct and Responsible Practices of the Inditex Group.

- The Code of Conduct for Manufacturers and Suppliers which defines the minimum standards for an ethical and responsible behaviour that must be observed by all the manufacturers and suppliers of the Group. Detailed information regarding this Code has been provided in section IV hereof.

The Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers are available on the corporate website.

Inditex also relies on an organizational and management model to prevent criminal offences: the Model of Criminal Risk Prevention, composed of the following documents:

- The Policy on Criminal Risk Prevention: it associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose

perpetration by the employees and/or the Group itself the Policy intends to prevent. It expressly forbids to offer, grant, solicit or accept, directly or indirectly, gifts or handouts, favours or compensations, in cash or in kind, regardless of their nature, to or from any authorities or public servants, and includes specific guidelines to deal with public servants and administrators.

Such Policy is available to all the employees on the corporate intranet.

- The Criminal Risk Prevention Procedure, which sets out the duties of the Committee of Ethics in the field of criminal risk prevention, and the organizational measures of the Company in this area.
- The Scoping Matrix of Criminal Risks and Controls, which sets out the criminal risks and controls established to prevent perpetration of offences.

The Model of Criminal Risk Prevention was approved by the Board of Directors in 2016 and is subject to a continuous evaluation and improvement process, to adapt it to the Group's growth and to statutory requirements, recommendations and best practices from time to time applicable in the field, thus ensuring its effectiveness.

The Scoping Matrix of Criminal Risks and Controls has been updated in 2018 by reviewing potential risks inherent to the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes in the organizational structure and in certain corporate processes.

Within the scope of such Model of Criminal Risk Prevention, a number of standards have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates. Namely, for the purposes of ensuring that all Inditex employees, and those third parties with whom they are engaged in any business relationship, comply with the main anti-bribery and anti-corruption regulations existing in such markets where the Group is present, the so-called Integrity Policies have been approved.

Such Policies implement certain elements of the Policy on Criminal Risk Prevention, and intertwine with the ethical values of the Group, defined in the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers.

The Integrity Policies consist of:

- The Policy on Donations and Sponsorships, which define the notions of donation and sponsorship, for ease of reference of its recipients, and covers a number of requirements donations and sponsorships must meet in order for them to be validly made and/or accepted.
- The Policy on Gifts and Business Courtesies, which defines the notions of gift and business courtesy, for ease of reference of its recipients, and covers a number of requirements that must be met for the offering and/or acceptance thereof to be valid and compatible with Inditex's conduct policies.
- The Policy on Dealings with Public Servants, which (i) defines the notion of bribery and of public servant; (ii) expressly forbids bribes in the public or private sectors; (iii) covers extortion payments; (iv) expressly forbids facilitation payments, even where such payments are not forbidden under the laws and regulations of the country or territory in question; and (v) establishes due diligence process implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

Additionally, as a demonstration of Inditex's unwavering commitment to anti-money laundering and the prevention of terrorist financing activities and its will to work with the competent authorities in the area, the Anti-Money Laundering and Terrorist Financing Policy was approved by Inditex's Board of Directors on 13 March 2018. Such Policy defines the due diligence processes implemented within the Company taking into account the different business it conducts:

- The process to limit cash payments at stores, whereby certain mechanisms are developed to monitor payments in cash by customers at stores; and
- The process to identify and review business partners, suppliers and other third parties, in accordance with due diligence measures provided in its internal regulations and, as the case may be, in the applicable laws.

Such due diligence processes have been subject to regulatory development.

The basic high level standards and the Model of Criminal Risk Prevention above referred are part of the above mentioned Company's cross-cutting Compliance System, which is comprised of the following regulations:

- The Policy on Compliance, which sets out the commitments that all the employees of the Inditex Group must undertake, regardless of their location and position,
- The Compliance Management Procedure, which develops the contents of the Policy and fixes the organizational measures to prevent, detect and manage Non-compliance Risks events, reinforcing a culture of ethical compliance.
- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorized Markets, that sets limits (i) to hire suppliers: (only those based in markets authorized by the Group can be hired); and (ii) to make payments: (only to those suppliers which, having met the foregoing requirement, have a bank account opened in such markets).

On the other hand, a specific Anti-corruption Model has been implemented in France for the purposes of meeting the statutory requirements in such country, and the current Anti-corruption Model in place in Italy has been updated. Both models have been subject to a reasonable assurance review to confirm that their respective controls are effective and appropriate.

Likewise, in order to reduce criminal risks inherent in the business conducted by Inditex, and in the offences of public corruption and/or corruption among private persons, identified in the Scoping Matrix of Criminal Risks and Controls, a number of controls have been implemented and monitored based upon risks prioritization determined in the risk map.

Circulation, communication and training

Communication and internal and external circulation

Inditex encourages the communication and the circulation of internal regulations related to the Model of Criminal Risks Prevention, as provided in section 6.1 of the del Criminal Risk Prevention Procedure that reads: *"Inditex has set as a goal to inform and disclose to all who are subject to this Model any and all standards of behavior embraced, All recipients of the Model need to be informed both about goals of correction and transparency sought and about the manner whereby Inditex has resolved to fight crimes"*.

Section 6.1 also provides that: *"Inditex will embrace a specific information and training plan for the purposes of disclosing to all its employees the obligations and duties enforced on them (...).Such plan shall be managed by the relevant areas of the company together with the Committee of Ethics..."*

The Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the Integrity Policies stand at the apex of the pyramid of the conduct policies of the Group and are the keystone upon which the Model of Criminal Risk Prevention is built. As such, they are posted on the corporate web, for the purposes of ensuring their circulation and understanding by the largest number of employees (including the management and the members of the governing bodies of the Group), suppliers, manufactures, and other stakeholders.

The remaining policies and procedures, above referred, and the information about the Whistle Blowing Channel, are available to the employees on the corporate intranet and can be accessed from any device.

Likewise, in order to ensure the commitment of the company's top officers to and ethical and responsible behaviour, this being at the core of the Group's corporate culture, and to the Model on Criminal Risk Prevention, the General Counsel's Office—Office of the Chief Compliance Officer is responsible for:

- Duly apprising the members of Inditex's Board of Directors and keeping them posted on a quarterly basis, on the following issues: (i) the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; (ii) the outcome of the supervision of the Model on Criminal Risk Prevention of the Inditex Group; and (iii) the proceedings to implement it at national and international level (proceedings regarding acceptance of the Code of Conduct and Responsible Practices and the circulation, communication and training in the field).
- Regularly communicating the corporate internal regulations to the officers and areas supervisors (directors of formats, heads of corporate areas, head of subsidiaries, CFO, and other directors, supervisors and heads of departments), reminding them of their obligation to disclose the purpose of such communication as well as the regulations themselves, to all staff members under their respective remit, Upon determining any other potential recipients of this communication, the General Counsel's Office—Office of the Chief Compliance Officer also considers the specific scope of application of each policy and procedure disclosed.

On the other hand, highlights of 2018 regarding communication and internal circulation initiatives carried out include: (i) the Code of Conduct and Responsible Practices and the Whistle Blowing Channel Procedure have been translated into 39 and 34 different languages, respectively, and made available to the employees on the local intranet in their local language; (ii) notices on Code of Conduct and the Whistle Blowing Channel have been placed at the stores of the different formats, and they can be accessed in the local language through a QR code; and, (iii) several online news capsules have been posted on the corporate web and on the intranet.

In addition, an email was addressed from the Committee of Ethics to the Group's officers and middle managers reminding them of the provisions of the Code of Conduct and Responsible Practices and of the Policy on Gifts and Business Courtesies, regarding both of them the acceptance and reception of gifts from suppliers. A standard form of letter to be sent to the suppliers reminding them of such prohibitions was attached to such email.

Training

In order to ensure that the Group's Model on Criminal Risk Prevention is effective and appropriate, the Committee of Ethics approved on 30 January 2018 the 2018 Training Plan on Criminal Compliance. Such Plan addresses the general yardsticks that the different areas and departments with compliance functions must consider to design, define and implement: (i) the various training and awareness-raising initiatives in the field of Criminal Compliance (namely, regarding the Code of Conduct and Responsible Practices of the Inditex Group and the Whistle Blowing Channel); and, (ii) the groups to whom the Plan is addressed; and, (iii) the methodology to be used.

Such Plan was launched in 2018, its main action lines being: (i) determining the recipients and contents of training identified as a priority in accordance with the risks identified in the 2017 Criminal Risks Map; and (ii) liaising with the different areas and departments, for the purposes of setting streamlined criteria for reporting to the General Counsel's Office – Office of the Chief Compliance Officer, the training run on any issue related to the Model of Criminal Risk Prevention.

The 2018 Report on Training on Criminal Compliance was approved by the Committee of Ethics on 6 March 2019 whereby specific training, dissemination and disclosure proceedings carried out throughout 2018 are explained and reviewed, and a plan for improvement proposed.

The highlights of the most relevant training and disclosure proceedings carried out in 2018 are:

- Training run to new employees on the Code of Conduct and Responsible Practices, the Committee of Ethics and the Whistle Blowing Channel. Training was provided: (i) onsite, during the Welcome Day, at Inditex and the Group's formats; and (ii) online, through the *OnAcademy* e-learning platform.

On the other hand, it should be noted that upon their recruitment, all Group employees are provided specific training on the Code of Conduct and Responsible Practices, which they undertake to observe upon signing their employment contract, which includes a clause on adherence to such Code.

Consequently and as shown in the table below, 29% of the Group employees have received training on the Code of Conduct and Responsible in 2018, taking into account the number of new employees accounted based on the average number of employees during FY2018:

Geographic area	% TOTAL
Spain	13.7%
Rest of Europe	33.2%
Americas	42.0%
Asia & Rest	45.6%
TOTAL	29%

Job classification	% TOTAL
Manager	3.3%
Supervisor	4.2%
Specialist	33.9%
TOTAL	29%

- Onsite training provided to the following groups exposed to a higher risk of commission of offences related to private corruption, on account of their position and responsibilities or the activities they carry out.

- o Officers and members of governing bodies of the Group:

- All directors of Group formats and the heads of Zara Woman, Man and Children, as well as 32 country managers of foreign subsidiaries and other corporate supervisors and area directors, have been given training on the Model of Criminal Risk Prevention and namely on the Code of Conduct and Responsible Practices and the Integrity Policies of the Group.

This means that in aggregate, 34.7 % of the Group's officers – namely 100% of Senior Managers – have received training on Criminal Compliance,

- o Commercial teams:

- 94.2 % of the members of commercial teams of Zara Woman, Man and Children have been given training on the Code of Conduct and Responsible Practices—namely, on corruption, fraud and bribery, conflicts of interest –and the Whistle Blowing Channel.

This is one of the most relevant training sessions, as the staff of Zara commercial teams represent 36.9% of the aggregate number of employees of the commercial teams of the remaining formats.

This initiative is expected to extend to the commercial team of *dot.com* and the commercial teams of the remaining formats of the Group as of 2019.

- Members of the buyers' teams of Turkish subsidiary, ITX Trading have been given training on the Code of Conduct and Responsible Practices – namely, on corruption, fraud and bribery, conflicts of interest – and the Whistle Blowing Channel.

Inditex has a number of purchasing offices outside the headquarters of the Group's formats. The Turkish purchasing office represents approximately 35 % of total number of staff members of such purchasing offices,

This initiative is expected to extend to the remaining purchasing offices as of 2019.

In 2019, the Committee of Ethics will continue working towards developing specific contents, based upon the specific requirements of each group, and in the methodologies and standardization of the training on Criminal Compliance,

Special mention should be made of the campaign for the disclosure, internal training and awareness-raising of the Code of Conduct and Responsible Practices for the USA.

Further to the posting of such Code on the corporate web and the local intranet, an intensive plan was launched in May 2018 for the circulation and acceptance thereof among its employees. As at 31 December 2018, 99% of the US staff had adhered to such Code and been given training on the same.

Management and supervisory bodies of the model

The Model is managed and supervised by the following governing bodies of the company:

- The Committee of Ethics, that reports to the Board of Directors through the Audit and Control Committee. It is charged with overseeing compliance with the Codes of Conduct and with the Model of Criminal Risk Prevention, as well as ensuring the effectiveness of the controls set in such Model. The Committee of Ethics is composed of the General Counsel and Chief Compliance Officer, the Chief Human Resources Officer, the Chief Audit Officer and the Chief Sustainability Officer.

The Committee of Ethics submits, at least every six months, a report to the Audit and Control Committee to review its proceedings and the enforcement of the Code of Conduct and Responsible Practices, as well as the results of the supervision of the Model of Criminal Risk Prevention-

- Additionally, the Audit and Control Committee reports to the Board of Directors on a quarterly basis and every time this latter so requests, on the enforcements of the Code of Conduct and Responsible Practices and of the additional documents which are part of the model of internal regulatory compliance from time to time in force-
- The General Counsel's Office – Office of the Chief Compliance Officer, tasked with generally managing the Compliance System of the Company and its Group, namely of the Model of Criminal Risk Prevention.

The Company relies on a Whistle Blowing Channel that allows all the Group's employees, suppliers or third parties with a direct relationship and a lawful business or professional interests to report, regardless of their managerial level and geographic or functional location, any non-compliance with the internal regulations of the Group governing conduct and regulatory compliance, by any Group's employee, manufacturer, supplier or third party with whom the Group has a direct employment, business or

professional relationship and which affect either Inditex or its Group. The information on the Whistle Blowing Channel is available on the company's intranet.

Therefore, any manner of non-compliance or breach may be reported, including those associated with corruption, fraud and bribery.

The Committee of Ethics is responsible for managing and overseeing the Whistle Blowing Channel as well as compliance with its Procedure. The proceedings of the Whistle Blowing Channel are addressed in the Whistle Blowing Channel Procedure.

The decisions of the Committee of Ethics are binding for the Inditex Group and for the employees.

Following reception of any report, the Committee of Ethics first establishes whether it falls within its remit. If such is the case, the Committee of Ethics refers the matter to the relevant department so that it would launch the relevant investigation.

In light of the findings following the relevant investigations, and having heard first the interested party, the Committee of Ethics adopts any of the following measures:

- The remediation of the breach, if appropriate;
- Proposing relevant sanctions or proceedings; and/or
- Closing of proceedings, in the absence of any breach whatsoever:

In 2018, the Committee of Ethics has processed 302 cases in aggregate. Further to the relevant investigations, no evidence of violation of Human Rights has been found, neither regarding Inditex's employees nor its suppliers of goods and/or services.

The new Ethics Line has been launched in the year, an additional channel available to employees and third parties in the USA and Puerto Rico, to report any potential breach of the Code of Conduct and Responsible Practices and/or any corporate policies and procedures. In line with local best practices, the management and administration of the Ethics Line has been entrusted to an external facilitator. The Ethics Line can be accessed by phone or through the website 24 hours a day 7 days a week.

In 2018, the Audit and Control Committee has engaged an independent firm to audit the Model of Criminal Risk Prevention, within the scope of a reasonable assurance review, in order to confirm the effectiveness and appropriate exercise of the controls included in the Scoping Matrix of Risks and Controls, and that the Model conforms to the requirements set in the Criminal Code and in UNE 19601 standard. The firm has issued an unqualified audit report.

Cases regarding corruption, fraud and bribery

In 2018, Inditex has not been apprised, either through the Committee of Ethics or by any other means, of any court proceedings regarding corruption or bribery against the Company.

Contributions to foundations and non-profit organizations

With regard to the statutory provision according to which the Company should report about the "contributions to foundations and non-profit organizations", besides what has been disclosed in section VIII above regarding contribution to community welfare, Inditex is a member of the following associations: *Emisores Españoles*, European Retail Round Table, European Branded Clothing Alliance, European Round Table of Industrialists, and EuroCommerce. In 2018, contributions to all such associations have consisted of the annual membership fees, the amount of which is not significant,

X. Tax information

Pursuant to the principles set out in the Tax Policy and the Tax Strategy, approved by the Board of Directors in the meeting held on 9 December 2015, the Group fulfils tax obligations applicable in the markets where it conducts business.

Such principles materialize in an unwavering commitment to contributing to the economic and social development of the different markets where Inditex is present. In this regard, taxes paid are key to the above referred contribution, helping the communities where the Group operates render valuable public services and build infrastructures to drive economic growth.

From a tax perspective, this commitment materializes upon fulfilling tax obligations resulting from the business activity, in accordance with applicable local, EU and international regulations (Treaties and Conventions, OECD Guidelines, etc.) pursuant to tax best practices and in line with sustainability and corporate social responsibility principles set by the Group.

Inditex Group is based upon a vertical organization and takes part at all stages of the value chain of the textile industry (design, production, procurement, distribution and sale). Since all such activities are carried out in different territories, the part of profit created in the value chain attributed to each territory needs to be determined. Profit attribution is done pursuant to the arm's length principle, in accordance with local regulations and OECD Transfer Pricing Guidelines.

Contribution to profit before taxes is broken down below by market (€ million):

Markets	Contribution to profit before taxes*
Americas	294
Brazil	74
Canada	17
USA	50
Mexico	116
Others	37
Asia and Rest	546
Australia	11
China	364
South Korea	24
Japan	56
Others	91
Spain	1,650
Spain	1,650
Europe	1,432
Germany	14
Belgium	83
France	139
Greece	31
The Netherlands	274
Hungary	12

Italy	83
Kazakhstan	15
Poland	38
Portugal	63
UK	34
Romania	67
Russia	154
Switzerland	257
Ukraine	28
Others	140
Consolidation	506
Consolidation	506
Profit before taxes Consolidation	4,428

* Contribution to the profit before taxes: the contribution to the profit before taxes is the result of applying the International Financial Reporting Standards (IFRS), excluding the result of the dividend distribution of other subsidiaries of the Group as well as the provisions for investment valuation in Group subsidiaries. Additionally, the contribution to the profit before taxes does not show the profitability of the Group in each market inasmuch as it is conditioned by the "headquarters effect" and the compliance with international transfer pricing standards (OECD Guidelines) that allocates to certain markets the contribution related to the development of the design, supply, logistics and distribution functions.

Likewise, the Group undertakes not to use structures of shady nature for tax purposes, putting shell companies located in territories considered as tax havens or uncooperative territories by the Spanish tax authorities. In this regard, the incorporation of companies located in territories considered as tax havens will be limited to situations where it is absolutely indispensable for the development of the Group's typical business, such as the companies which operate the stores located in Macau SAR and Monaco.

To achieve such objectives, the Group maintain relationships with the local tax authorities or the territories where it operates based on principles of good faith, collaboration and mutual trust, and tries to avoid tax disputes by applying preferential interpretation criteria on the tax regulations set by the authorities or courts of law.

Furthermore, the Inditex Group is part of *Foro de Grandes Empresas* ("Large Companies Forum") in Spain, whose primary objective is to promote greater collaboration among large companies and the State Tax Administration. We comply with the Code of Good Tax Practices promoted in the Forum, and have followed its recommendations, proposals and subsequent development.

The Group's corporate income tax generated from the business conducted in the markets where it operates is shown below (€ million):

Markets	Corporate Income Tax
Americas	93
Brazil	18
Canada	5
USA	20
Mexico	38
Others	12

Asia and rest	115
Australia	3
China	71
South Korea	6
Japan	21
Others	14
Spain	360
Spain	360
Europe	387
Germany	5
Belgium	24
France	52
Greece	12
The Netherlands	101
Hungary	1
Italy	25
Kazakhstan	4
Poland	12
Portugal	14
UK	7
Romania	10
Russia	34
Switzerland	60
Ukraine	5
Others	21
Consolidation	110
Consolidation	110
Corporate Income Tax	1,065

Meanwhile, in 2018 aggregate tax contribution has amounted to 6,166 million euros: 2,764 million euros as direct taxes, among which corporate income tax, customs duties, property taxes and social security payments supported by the Company can be highlighted; and 3,402 million euros as collected taxes, including income tax withholdings of employees and shareholders, social security payments supported by the employee and taxes on the production and consumptions of goods and services, in accordance with PwC's Total Tax Contribution method.

Direct taxes paid in the year (€million) are broken down as follows:

Markets	Direct taxes
Americas	489
Brazil	100
Canada	43
USA	151
Mexico	136

Others	59
Asia and rest	345
Australia	10
China	173
South Korea	27
Japan	64
Others	71
Spain	928
Spain	928
Europe	1,002
Germany	33
Belgium	35
France	229
Greece	23
The Netherlands	108
Hungary	4
Italy	82
Kazakhstan	14
Poland	11
Portugal	46
UK	72
Romania	13
Russia	96
Switzerland	70
Ukraine	16
Others	150
TOTAL	2,764

Collected taxes paid in the year (€ million) are broken down as follows:

Markets	Collected taxes
Americas	271
Brazil	79
Canada	33
USA	107
Mexico	35
Others	17
Asia and rest	184
Australia	21

China	109
South Korea	12
Japan	28
Others	14
Spain	764
Spain	764
Europe	2,183
Germany	201
Belgium	97
France	324
Greece	124
The Netherlands	86
Hungary	31
Italy	356
Kazakhstan	3
Poland	98
Portugal	191
UK	129
Romania	73
Russia	164
Switzerland	15
Ukraine	9
Others	282
TOTAL	3,402

Finally, mention is made of the fact that, taking into account all the markets where it operates, Inditex has received 0.7 million euros as public grants in 2018.

XI. Membership of associations and external initiatives

The main initiatives, agreements and codes undertaken by Inditex are shown below (some of them are described in greater detail in other sections of this Report):

- *Global Framework Agreement with UNI Global Union*. It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of endorsement: 2 October 2009.
- *UN Global Compact*. A United Nations initiative that encourages social dialogue between companies and the civil society. Date of endorsement: 31 October 2001.
- *Ethical Trading Initiative (ETI)*. A dialogue platform to improve working conditions of workers of the distribution sector in developing countries, It is an alliance of companies, international trade unions, and non-governmental organisations, Date of endorsement: 17 October 2005.

- *Global Framework Agreement with IndustriALL Global Union* (formerly, ITGLWF). To promote fundamental Human and labour rights across Inditex's supply chain, including the definition of mechanisms of joint action within the supply chain to implement the Code of Conduct for Manufacturers and Suppliers. Date of endorsement: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the "Protocol to specify the role of trade unions in the enforcement of the International Framework Agreement within Inditex's supply chain". On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL, that introduces the concept of "union experts" to enforce the Global Framework Agreement.
- *Zero Discharge of Hazardous Chemical*. Commitment towards restriction and elimination of certain chemicals in the product manufacturing process. Date of execution: 27 November 2012.
- ILO's Better Work Programme. Platform to improve compliance with labour regulations and competitiveness of global supply chains. Date of accession: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.
- *The CEO Water Mandate*. A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of endorsement: 30 June 2011.
- *Sustainable Apparel Coalition*. An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of endorsement: 20 October 2011.
- *Textile Exchange*. A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of endorsement: 8 September 2010.
- *Better Cotton Initiative*. An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of endorsement: 1 July 2011.
- Code of Good Tax Practices. It encourages a mutually cooperative relationship between the [Spanish] Tax Administration Authority and the companies. Date of endorsement: 21 September 2010.
- Cooperation Agreement between the Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defense and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.
- *Cotton Campaign*: this is an initiative led by companies and organizations of the third sector to improve working conditions and defend Human Rights with regard to the production and supply of cotton. Date of endorsement: 26 October 2012.
- *Agreement on Buildings Safety in the Textile Industry in Bangladesh* dated 13 May 2013. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country.
- *Fur Free Alliance*. Inditex is a member of the Fur Free Retailer Program of the Fur Free Alliance. The Fur Free Alliance is an international coalition of animal protection organizations working to bring an end to the exploitation and killing of animals for their fur. Date of endorsement: 1 January 2014.
- *Bangladesh Water PaCT (Partnership for Cleaner Textile)*: a 4-year initiative that seeks to foster changes within the textile sector in Bangladesh by improving the so-called wet processes (dyeing, washing, printing and other finishes) from an environmental perspective, thus

- contributing to the competitiveness of the sector in the long run. Date of endorsement: 20 June 2013.
- *ACT (Action Collaboration Transformation)*: an initiative of international brands & retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain. In development thereof, a Memorandum of Understanding was subscribed by ACT's brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of execution: 13 March 2015.
 - *CanopyStyle Initiative*. Date of endorsement: 2014. Committed to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibres (viscose, modal, lyocell).
 - *Organic Cotton Accelerator (OCA Foundation)*. This initiative seeks the commitment to contributing to develop a responsible and healthy market of organic cotton for all parties involved, Inditex is a member since 2016.
 - International Labour Organization (ILO). Execution of a global Public-Private Partnership aimed at promoting respect for the fundamental principles and rights at work in the cotton sector. Date of execution: 11 May 2017.
 - LBG: Methodology to measure business contributions to the community. Upwards of 200 global and mid-size companies from 15 sectors worldwide are currently part of the LBG network. Inditex has been a member since 2012.
 - *ClosingGap*. Platform made up of eleven large companies with the goal of quantifying the economic impact of gender gap. To achieve this, companies review every two months existing gaps in the field of health, pensions, digital environment, work-family balance and co-responsibility, leisure, tourism, consumption or mobility. Within the scope of this initiative, Inditex will issue a report on the gender gap in education.
 - *Open for Business*. Coalition of leading global companies dedicated to LGBT+ inclusion, to prove that successful, enterprising businesses thrive in diverse, inclusive societies and that companies that promote LGBT+ inclusion are more dynamic, productive and groundbreaking.
 - *Better Than Cash Alliance*. Based in the UN, this is an alliance of governments, companies and large international organizations that seek to globally promote the transition from cash to digital payments. Inditex is focused on achieving digitalisation and financial education across its supply chain.
 - *Tent Partnership for Refugees*. Founded by Tent Foundation, a non-profit organization, this is a global network of more than 100 companies that seeks to mobilize the private sector to set partnerships to improve the lives of refugees.
 - *Fashion Industry Charter for Climate Action*. This Charter was subscribed with the United Nations Climate Change, and is aligned with the goals of the Paris Agreement. It establishes a target of 30% GHG emission reductions by 2030.
 - *New Plastics Economy*. Commitment undertaken with the Ellen MacArthur Foundation to establish a circular economy for plastic and prevent that it becomes waste, on account of not being reused or recycled.

XII. Corporate recognitions in external indexes or evaluations

In 2018, Inditex has been recognized in the following indexes or evaluations:

- *Dow Jones Sustainability Index* (DJSI). In 2018 Inditex has been named by Dow Jones Sustainability Index for the third straight year, the most sustainable company in its sector, having scored 68 out of a possible 100 points. This ranking, compiled by the sustainability investing specialist RobecoSAM, highlights Inditex's "*leadership within the retail industry with its pioneering stance on Human Rights*".
- *FTSE4Good*. In 2018, Inditex scored 4.3 out of a possible 5 points. This sustainability index includes the global companies most committed regarding sustainability, considering their environmental, social and corporate governance practices-
- *Merco*. Merco Personnas has named Inditex for the eighth straight year the "Best company to work for in Spain".
- *Universum*. Universum identifies the 100 best companies to work for based upon surveys of university students. Inditex retains in 2018 the third position in the Business and Trade classification, which it also achieved in 2015, 2016 and 2017.

XIII. About this report

The Social Advisory Board, the Group's advisory body on sustainability matters, composed of independent external members, gave a favourable report to this Statement on non-financial Information.

Act 11/2018 of 28 December entered into force in December 2018. Such Act amends the Code of Commerce, the revised text of the Companies Act approved by *Real Decreto Legislativo 1/2010*, of 2 July and Act 22/2015, of 20 July on Statutory Audit, as regards non-financial information and diversity (hereinafter, Act 11/2018). Act 11/2018 supersedes *Real Decreto Ley 18/2017*, of 24 November which transposed into Spanish law Directive 2014/95/EU of the European Parliament and of the Council, regarding disclosure of non-financial information and information on diversity.

Pursuant to the provisions of Act 11/2018, above referred, certain companies, including Inditex, must draft a statement on non-financial information that must be a part of the management report, or of a separate report for the same financial year, including the same contents and fulfilling all requirements, and covering inter alia: the necessary information to understand the evolution, results and situation of the Group, the impact of its activities in respect of environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as questions regarding the workforce, being compelled to include, if any, such measures taken by the company to promote equal treatment and equal opportunities between women and men, non-discrimination and inclusion of disabled people, and universal accessibility. In this context, Inditex has included this Statement on non-financial information and made it a part of the Consolidated Management Report. The scope of the reported information includes all the companies over which Inditex has control or joint control.

To prepare this statement, Inditex has followed the principles and directions included in the Global Reporting Initiative (GRI) standards, the international reporting framework addressed in section 49.6(e) of the Code of Commerce, as amended by Act 11/2018, above referred.

The Company has followed the directions provided in "GRI 101: Foundations 2016", upon determining the contents to include in this report and how to report on them. Such standard covers the essential reporting principles to draft sustainability reports. One of such principles is materiality, Inditex has implemented such principle through a materiality analysis carried out with its stakeholders, which has resulted in the Materiality Matrix addressed in section II above.

Thus, and based upon GRI principles, this report addressed such issues which reflect significant economic, environmental and social impacts of the Company which may affect in a substantial manner

the assessment process and the decision making of its stakeholders. Both such issues and other not covered herein shall be included in the 2018 Annual Report to be published in July 2019.

The information disclosed in this Statement on non-financial information has been subject to the independent review of KPMG. The scope and results of such independent review are described in the Review Report attached hereto.

This report has been reviewed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Review of Historical Financial Information, and with Guidelines no. 47 on attestation engagements of the Statement on Non-financial Information issued by *Instituto de Censores Jurados de Cuentas* of Spain.

Table of required contents pursuant to Act 11/18 of 28 December

Contents of Act 11/18	Contents of Act 11/18 verified	Correspondence with GRI indicators	Reference to the Statement on Non-Financial Information
General information			
Description of the business model	√	GRI 102-2 GRI 102-6	I. Inditex. Integrated and Sustainable Business Model
Markets where the Group operates	√	GRI 102-3 GRI 102-4 GRI 102-6	
Goals and strategies of the organization	√	GRI 102-14	
Main factors and trends which may affect its future evolution	√	GRI 102-15	
Risk management	√	GRI 102-15	
Reporting framework used	√	GRI 102-54	XIII. About this report
Materiality Analysis	√	GRI 102-46 GRI 102-47	II. Materiality
Environmental Issues			
Management approach	√	GRI 103	VI. Commitment to the Environment
Detailed information			
Current and foreseeable effects of the activities of the company in the environment and, where appropriate, health and safety, evaluation or certification procedures; resources allocated to preventing environmental risks; application of the principle of caution; amount of provisions and guarantees for environmental risks.	√	GRI 307-1 GRI 308-2 GRI 102-11	VI. Commitment to the Environment
Measures to prevent, reduce or repair CO ₂ emissions that seriously affect the environment, taking into account any form of air pollution, including noise and light pollution	√	GRI 305-5 GRI 305-6 GRI 305-7	VI. Commitment to the Environment
Circular economy and waste prevention and management:			
Waste prevention measures, waste recycling measures, waste reuse measures; other forms of waste recovery and reuse; actions against food waste	√	GRI 301-2 GRI 301-3 GRI 303-3 GRI 306-1 GRI 306-2	VI. Commitment to the Environment
Sustainable use of resources			
Use and supply of water according to local limitations	√	GRI 303-1 GRI 303-2	VI. Commitment to the Environment

Contents of Act 11/18	Contents of Act 11/18 verified	Correspondence with GRI indicators	Reference to the Statement on Non-Financial Information
Consumption of raw materials and measures taken to improve the efficiency of its use.	√	GRI 301-1 AF20	VI. Commitment to the Environment
Energy: direct and indirect consumption	√	GRI 302-1 GRI 302-2	VI. Commitment to the Environment
Measures taken to improve energy efficiency	√	GRI 302-4 GRI 302-5	VI. Commitment to the Environment
Use of renewable energy	√	GRI 302-1 AF21	VI. Commitment to the Environment
Climate change			
Greenhouse gas (GHG) emissions	√	GRI 305-1 GRI 305-2 GRI 305-3	VI. Commitment to the Environment
Measures taken to adapt to the consequences of climate change	√	GRI 201-2	VI. Commitment to the Environment
Reduction targets established to reduce greenhouse gas emissions	√	GRI 305-5	VI. Commitment to the Environment
Biodiversity protection			
Measures taken to preserve or restore biodiversity	√	GRI 304-3	VI. Commitment to the Environment
Impacts caused by the activities or operations of protected areas	√	GRI 304-2	VI. Commitment to the Environment
Social and staff-related issues			
Management approach	√	GRI 103	III. Our people
Employment			
Total number and distribution of employees by country, gender, age, and job classification	√	GRI 102-8 GRI 405-1	III. Our people
Distribution of types of employment contract and annual average by gender, age and job classification	√	GRI 102-8	III. Our people
Number of dismissals by gender, age and job classification	√	GRI 401-1	III. Our people
Average remuneration by gender, age and job classification	√	GRI 405-2	III. Our people
Wage gap	√	GRI 405-2	III. Our people

Contents of Act 11/18	Contents of Act 11/18 verified	Correspondence with GRI indicators	Reference to the Statement on Non-Financial Information
Average remuneration of directors and executives broken down by gender	√	GRI 103	III. Our people
Implementation of work disconnection policies	√	GRI 103	III. Our people
Disabled employees	√	GRI 405-1	III. Our people
Organization of work time	√	GRI 103	III. Our people
Number of absent hours	√	GRI 403-2	III. Our people
Measures to facilitate work-life balance	√	GRI 401-3	III. Our people
Health and safety			
Health and safety in the workplace conditions	√	GRI 103	III. Our people
Indicators of occupational accidents and occupational illnesses broken down by gender	√	GRI 403-2 GRI 403-3	III. Our people
Social relations			
Organization of social dialogue	√	GRI 102-43	III. Our people
Percentage of employees covered by collective bargaining agreements by country	√	GRI 102-41	III. Our people
Balance of collective bargaining agreements	√	GRI 403-4	III. Our people
Training			
Policies implemented in the field of training	√	GRI 103	III. Our people
Total number of training hours by job classification	√	GRI 404-1	III. Our people
Universal accessibility of disabled people	√	GRI 103	
Equality			
Measures taken to promote equal treatment and opportunities between women and men	√	GRI 103	III. Our people
Equality plans	√	GRI 103	III. Our people
Policy against any form of discrimination	√	GRI 103 GRI 406-1	III. Our people
Respect for Human Rights			
Management approach	√	GRI 103	I. Inditex. Integrated and Sustainable Business Model IV. Socially responsible management of the Supply Chain
Application of due diligence procedures			
Application of due diligence procedures	√	GRI 102-16 GRI 102-17 AF16, AF18	I. Inditex. Integrated and Sustainable Business Model IV. Socially responsible management of the Supply

Contents of Act 11/18	Contents of Act 11/18 verified	Correspondence with GRI indicators	Reference to the Statement on Non-Financial Information
			Chain
Measures to mitigate, manage and repair any possible abuses committed	√	GRI 102-16	I. Inditex. Integrated and Sustainable Business Model IV. Socially responsible management of the Supply Chain
		GRI 102-17	IX. Corruption and bribery
		GRI 412-2	
Complaints about cases of human rights violations	√	GRI 102-17 AF12, AF13, AF14, AF16	I. Inditex. Integrated and Sustainable Business Model IV. Socially responsible management of the Supply Chain IX. Corruption and bribery
Promotion and compliance with the provisions of the fundamental ILO conventions	√	GRI 408-1 GRI 409-1	III. Our people IV. Socially responsible management of the Supply Chain
Fight against corruption and bribery			
Management approach	√	GRI 103	
Measures taken to prevent corruption and bribery	√	GRI 103 GRI 102-16 GRI 102-17 GRI 205-2	IX. Corruption and bribery
Measures to fight money laundering	√	GRI 103 GRI 102-16 GRI 102-17	IX. Corruption and bribery
Contributions to non-profit foundations and entities	√	GRI 201-1	VIII. Contribution to Community welfare
Information on the company			
Management approach	√	GRI 103	
Commitments of the company to sustainable development:			
Impact of the company's activity on employment and local development	√	GRI 103	I. Inditex. Integrated and Sustainable Business Model IV. Socially responsible management of the Supply Chain
		GRI 204-1	VIII. Contribution to Community welfare
		GRI 413-1	
Impact of the company's activity on local towns and	√	GRI 103	I. Inditex. Integrated and

Contents of Act 11/18	Contents of Act 11/18 verified	Correspondence with GRI indicators	Reference to the Statement on Non-Financial Information
villages and in the country			Sustainable Business Model
		GRI 413-1	VIII. Contribution to Community Welfare
		GRI 413-2	
Relations maintained with the representatives of local communities	√	GRI 102-43	I. Inditex. Integrated and Sustainable Business Model. IV. Socially responsible management of the Supply Chain
Association or sponsorship actions	√	GRI 102-13	XI. Membership of associations and external initiatives VIII. Contribution to Community Welfare
Inclusion of social, gender equality and environmental issues in the procurement policy	√	GRI 308-1 GRI 414-1 AF6, AF7	IV. Socially responsible management of the Supply Chain
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	√	GRI 308-1 GRI 414-1	IV. Socially responsible management of the Supply Chain
Monitoring systems	√	GRI 102-9 GRI 308-2 GRI 414-2 AF2, AF3, AF8	IV. Socially responsible management of the Supply Chain
Consumers			
Measures for health and safety of consumers	√	GRI 416-1	V. Commitment and Excellence of our products
		GRI 417-1	VI. Commitment to the Environment
Systems for complaints received and resolution there	√	GRI 103 GRI 416-2 GRI 418-1	VII. Commitment to Customer Service
Tax information			
Profits obtained country by country	√	GRI 201-1	X. Tax information
Taxes earned on benefits paid (country by country)	√	GRI 201-1	X. Tax information
Public grants received (country by country)	√	GRI 201-4	X. Tax information



KPMG Asesores S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Review of the Consolidated Statement on Non-Financial Information of Industria de Diseño Textil, S.A. and subsidiaries for the year ended 31 January 2019

To the Shareholders of Industria de Diseño Textil, S.A.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Statement on Non-Financial Information (hereinafter SNFI) for the year ended 31 January 2019, of Industria de Diseño Textil, S.A. (hereinafter the Parent Company) and its subsidiaries (hereinafter the Group) which forms part of the Group's 2018 consolidated Directors' Report.

The contents of the consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation on non-financial information which it is not included in our assurance scope. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Table of required contents pursuant to Act 11/18 of 28 December" of the accompanying consolidated Directors' Report.

Directors' responsibilities

The Parent Company's Board of Directors is responsible for the preparation and presentation of the SNFI included in the Group's consolidated Directors' Report. The SNFI has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in table "Table of required contents pursuant to Act 11/18 of 28 December" of the aforementioned consolidated Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the SNFI is free from material misstatement, whether due to fraud or error.

The Parent Company's Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the SNFI was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that refers exclusively to the year ended 31 January 2019. The data for previous years were not subject to assurance according to prevailing mercantile legislation.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units and responsible areas of the Group that participated in the preparation of the SNFI, in the review of the processes for compiling and validating the information presented in the SNFI and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Parent Company's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the SNFI based on the materiality analysis performed by the Parent Company and considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the SNFI for the year ended 31 January 2019.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the SNFI for the year ended 31 January 2019.
- Corroboration, through sample testing, of the information relative to the content of the SNFI for the year ended 31 January 2019 and whether it has been adequately compiled based on data provided by internal and external information sources or third party reports.
- Procurement of a representation letter from the Directors and management.



Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the SNFI of Industria de Diseño Textil, S.A. and its subsidiaries for the year ended 31 January 2019 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, in accordance with that mentioned for each subject area in the table "Table of required contents pursuant to Act 11/18 of 28 December" included in the aforementioned consolidated Directors' Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

A handwritten signature in blue ink, appearing to read 'Patricia Reverter Guillot', written in a cursive style.

Patricia Reverter Guillot

12 March 2019

Pursuant to the provisions of section 253 of the Revised Text of the Companies Act, and section 34 of the Code of Commerce, the Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 12 March 2019, to issue the consolidated annual accounts and the management report for the financial year ended 31 January 2019. The annual accounts consist of the documents preceding this page (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements).

Mr Pablo Isla Álvarez de Tejera
Executive Chairman

Mr Amancio Ortega Gaona
Ordinary Member

Mr José Arnau Sierra
Deputy Chairman

Pontegadea Inversiones, S.L.
Ordinary Member
Ms Flora Pérez Marcote

Bns Denise Patricia Kingsmill
Ordinary Member

Ms Pilar López Álvarez
Ordinary Member

Mr José Luis Durán Schulz
Ordinary Member

Mr Rodrigo Echenique Gordillo
Ordinary Member

Mr Emilio Saracho Rodríguez de Torres
Ordinary Member