

INDITEX

INTERIM HALF YEAR 2018 RESULTS

1 February 2018 to 31 July 2018

- ◆ Inditex continues to expand its global, fully integrated store and online platform.
- ◆ Net sales reached €12 billion, 3% higher than in 1H2017. Sales in local currencies grew 8%.
- ◆ Like-for-like sales grew 4% and were positive across all geographies.
- ◆ Gross profit reached €6.8 billion, 4% higher (+10% in local currencies). Gross margin reached 56.7% (+30bps). Management estimates gross margin expansion of around +50 bps in 2H2018.
- ◆ Tight control of operating expenses.
- ◆ EBITDA came to €2.3 billion, 2% higher than the prior year (+14% in local currencies).
- ◆ EBIT was €1.8 billion, 2% higher (+17% in local currencies).
- ◆ Net income reached €1.4 billion (€0.452 per share), 3% higher than the prior year.
- ◆ A dividend of €0.375 per share will be payable on 2 November 2018 as FY2017 final ordinary and bonus dividend.
- ◆ Global online sales launches are on track. Zara launched online in Australia and New Zealand in March 2018. With a view to making Inditex's fashion collections available to all customers, Inditex will offer online sales across all concepts anywhere in the world by 2020.
- ◆ Autumn/Winter initial collections have been well received. Management estimates like-for-like sales growth of 4-6% in 2H2018.

Performance in 1H2018

Inditex continues to expand its global, fully integrated store and online platform.

In 1H2018 Inditex achieved a strong operating performance. Net sales reached €12 billion, 3% higher than in 1H2017. Sales in local currencies increased by 8%.

Like-for-like sales grew 4% in 1H2018 on 6% in 1H2017 and were positive across all geographies. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of first half fiscal years 2018 and 2017) and online. This represents 85% of total sales.

In 1H2018 Inditex opened stores in 44 markets.

At the end of 1H2018 Inditex operated 7,422 stores in 96 markets, demonstrating its global reach. Total stores by concept is included in Annex I.

Net sales by concept in 1H2018 and 1H2017 are shown in the table below:

Concept	1H2018	1H2017
Zara	7,910	7,737
Pull&Bear	851	765
Massimo Dutti	811	791
Bershka	1,045	1,016
Stradivarius	690	664
Oysho	290	271
Zara Home	383	383
Uterqüe	46	45
Total	12,025	11,671

Inditex operates a global sales platform. Store and online sales by geographical area are shown in the table below. The change in percentages is mainly driven by exchange rate differences.

Area	1H2018	1H2017
Europe ex-Spain	44%	43%
Asia & RoW	25%	25%
Spain	16%	16%
Americas	15%	16%
Total	100%	100%

The gross profit rose to €6.8 billion, 4% higher than the previous year (+10% in local currencies). The gross margin reached 56.7% of sales (+30bps). Management estimates gross margin expansion of around +50 bps in 2H2018.

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.

EBITDA came to €2.3 billion, 2% higher than the prior year (+14% in local currencies). EBIT came to €1.8 billion, 2% higher than the prior year (+17% in local currencies).

A breakdown of financial results can be found in Annex II.

The tax rate for 1H2018 is the best estimate for FY2018 according to current information.

Net income came to €1.4 billion, 3% higher than the prior year.

Inditex paid €1.2 billion, €0.375 per share, on 2 May 2018 as FY2017 interim ordinary dividend and €0.375 per share will be payable on 2 November 2018 as FY2017 final ordinary and bonus dividend.

Inditex maintained its solid financial position at the end of 1H2018:

Million Euros	31 July 2018	31 July 2017
Cash & cash equivalents	4,091	3,813
Short term investments	1,899	1,731
Current financial debt	(40)	(74)
Non current financial debt	(5)	(5)
Net financial cash (debt)	5,944	5,465

The operating working capital position remains negative as a result of the business model:

Million Euros	31 July 2018	31 July 2017
Inventories	2,803	2,745
Receivables	871	825
Payables	(6,386)	(6,058)
Operating working capital	(2,713)	(2,488)

Start of 2H2018

Autumn/Winter initial collections have been well received. Management estimates like-for-like sales growth of 4-6% in 2H2018.

Ordinary capital expenditure in FY2018 will be approximately €1.5 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.

Global Online

Global online sales launches are on track. Zara launched online in Australia and New Zealand in March 2018.

With a view to making Inditex's fashion collections available to all customers, Inditex will offer online sales across all concepts anywhere in the world by 2020.

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The interim nine months 2018 results will be published on 12 December 2018.

For additional information:

INDITEX

Investor Relations

ir@Inditex.com

Tel: +34 981 18 53 64

www.Inditex.com

Consolidated financial statements

Grupo Inditex		
1H2018 profit & loss statement (€m)		
	1H2018	1H2017
Net sales	12,025	11,671
Cost of sales	(5,208)	(5,090)
Gross profit	6,817	6,582
<i>Gross margin</i>	<i>56.7%</i>	<i>56.4%</i>
Operating expenses	(4,459)	(4,274)
Other net operating income (losses)	(15)	(16)
Operating cash flow (EBITDA)	2,343	2,292
<i>EBITDA margin</i>	<i>19.5%</i>	<i>19.6%</i>
Amortisation and depreciation	(559)	(548)
Operating income (EBIT)	1,784	1,744
<i>EBIT margin</i>	<i>14.8%</i>	<i>14.9%</i>
Financial results	21	(1)
Results from companies consolidated by equity method	18	20
Income before taxes	1,823	1,763
<i>EBT margin</i>	<i>15.2%</i>	<i>15.1%</i>
Taxes	(413)	(397)
Net income	1,411	1,366
Minorities	2	0
Net income attributable to the controlling company	1,409	1,366
<i>Net income margin</i>	<i>11.7%</i>	<i>11.7%</i>
Earnings per share, Euros (*)	0.452	0.439

(*) Shares for EPS calculation 3,113,701,857 for 2018 and 3,112,726,553 for 2017

Grupo Inditex

Consolidated Balance Sheet as of 31 July 2018 (€m)

	31 July 2018	31 July 2017
Assets		
NON CURRENT ASSETS	10,670	9,944
Intangible assets	984	926
Tangible assets	8,116	7,480
Financial investments	247	227
Other	1,322	1,311
CURRENT ASSETS	9,984	9,445
Inventories	2,803	2,745
Receivables	871	825
Short term investments	1,899	1,731
Cash & cash equivalents	4,091	3,813
Other	321	332
TOTAL ASSETS	20,654	19,389
Total Liabilities & Shareholders' Equity		
SHAREHOLDERS' EQUITY	12,632	11,610
Equity attributable to the Group	12,604	11,588
Minority interests	28	23
NON CURRENT LIABILITIES	1,564	1,509
Deferred taxes	284	263
Financial debt	5	5
Other	1,274	1,241
CURRENT LIABILITIES	6,459	6,269
Financial debt	40	74
Payables	6,386	6,058
Other	32	137
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	20,654	19,389

Annex I

Number of stores by concept:

Concept	31 July 2018	31 July 2017
Zara	2,109	2,092
Zara Kids	129	143
Pull&Bear	969	978
Massimo Dutti	764	772
Bershka	1,093	1,098
Stradivarius	1,007	1,015
Oysho	667	655
Zara Home	593	569
Uterqüe	91	83
Total	7,422	7,405

Annex II

Breakdown of Financial results:

Million Euros	1H2018	1H2017
Net financial income (losses)	10	6
Foreign exchange gains (losses)	11	(8)
Total	21	(1)

The Gross Margin, EBITDA, EBIT, ROE and ROCE are defined in the introduction to the Consolidated Annual Accounts 2017.

Disclaimer

This document is of a purely informative nature and does not constitute an offer to sell, exchange or buy, or the solicitation of an offer to buy, securities issued by any of the companies mentioned herein.

This document contains forward-looking statements. All statements other than statements of historical fact included herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. Any such forward-looking statements are subject to risk and uncertainty and thus could differ materially from actual results.

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

The risks and uncertainties that could affect the forward-looking statements are difficult to predict. Except for the cases where the prevailing rules and regulations in force require otherwise, the company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events or circumstances that could affect them. Given the uncertainties of forward-looking statements, we caution readers not to place undue reliance on these statements.

For a discussion of these and other factors that may affect forward looking statements and the Inditex Group's business, financial conditions and results of operations, see the documents and information communicated by the company to the Comisión Nacional del Mercado de Valores (*the Spanish Securities Commission*).

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