ANNEX I

GENERAL

1st	HALF-YEARLY FINANCIAL REPORT FOR FINANCIAL YEAR	2019/2020

REPORTING DATE 31/07/2019

I. IDENTIFICATION DATA	
Registered Company Name: INDUSTRIA DE DISEÑO TEXTIL, S.A.	
Registered Address: AVDA DIPUTACIÓN S/N, EDIFICIO INDITEX, 15142 ARTEIXO-A CORUÑA	**Tax Identification Number**
	A-15075062

II. SUPPLEMENTARY INFORMATION TO PREVIOUSLY RELEASED PERIODIC INFORMATION

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

III. STATEMENT(S) BY THE PERSON(S) RESPONSIBLE FOR THE INFORMATION

To the best of our knowledge, the accompanying condensed annual financial statements, which have been prepared in accordance with applicable accounting principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or of the undertakings included in the consolidated financial statements taken as a whole, and the interim management report includes a fair review of the information required.

Comments on the above statement(s):

Person(s) responsible for this information:

Name/Company Name	Type
Pablo Isla Álvarez de Tejera	EXECUTIVE CHAIRMAN
José Arnau Sierra	DEPUTY CHAIRMAN
Amancio Ortega Gaona	ORDINARY MEMBER
Carlos Crespo González	CEO
PONTEGADEA INVERSIONES, S.L.	ORDINARY MEMBER
Denise Patricia Kingsmill	ORDINARY MEMBER
Pilar López Álvarez	ORDINARY MEMBER
José Luis Durán Schulz	ORDINARY MEMBER
Rodrigo Echenique Gordillo	ORDINARY MEMBER
Emilio Saracho Rodríguez de Torres	ORDINARY MEMBER

Date this half-yearly financial report was signed by the corresponding governing body: 10/09/2019

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (1/2)

Units: Thousand euros

ASSETS		CURRENT P. 31/07/2019	PREVIOUS P. 31/01/2019
A) NON-CURRENT ASSETS	0040	5,794,598	5,787,321
1. Intangible assets:	0030	151,477	136,319
a) Goodwill	0031		
b) Other intangible assets	0032	151,477	136,319
2. Property, plant and equipment	0033	516,033	497,141
3. Investment property	0034	540,524	552,088
4. Long-term investments in group companies and associates	0035	4,342,891	4,352,387
5. Long-term financial investments	0036	193,032	196,670
6. Deferred tax assets	0037	50,641	52,716
7. Other non-current assets	0038		
B) CURRENT ASSETS	0085	8,610,092	9,432,894
1. Non-current assets held for sale	0050		
2. Inventories	0055	892,140	855,082
3. Trade and other receivables:	0060	425,706	497,305
a) Trade receivables	0061	345,763	422,434
b) Other receivables	0062	76,314	74,198
c) Current tax assets	0063	3,629	673
4. Short-term investments in group companies and associates	0064	3,538,837	3,898,747
5. Short-term financial investments	0070	15,568	9,313
6. Prepayments for current assets	0071	25,944	13,631
7. Cash and cash equivalents	0072	3,711,897	4,158,816
TOTAL ASSETS (A + B)	0100	14,404,690	15,220,215

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (2/2)

Units: Thousand euros

EQUITY AND LIABILITIES		CURRENT P. 31/07/2019	PREVIOUS P. 31/01/2019
A) EQUITY (A.1 + A.2 + A.3)	0195	9,794,897	12,161,887
A.1) CAPITAL AND RESERVES	0180	9,788,408	12,167,272
1. Capital:	0171	93,500	93,500
a) Registered capital	0161	93,500	93,500
b) *Less: Uncalled capital*	0162		
2. Share premium	0172	20,379	20,379
3. Reserves	0173	9,360,179	1,749,186
4. *Own shares and equity holdings*	0174	(59,965)	(77,077)
5. Prior periods' profit and loss	0178		
6. Other shareholder contributions	0179		
7. Profit (loss) for the period	0175	374,315	10,381,284
8. *Less: Interim dividend*	0176		
9. Other equity instruments	0177		
A.2) VALUATION ADJUSTMENTS	0188	5,660	(6,289)
1. Available-for-sale financial assets	0181		
2. Hedging transactions	0182	5,660	(6,289)
3. Other	0183		
A.3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	0194	829	904
B) NON-CURRENT LIABILITIES	0120	582,372	654,975
1. Long-term provisions	0115	1,734	14,289
2. Long-term debts:	0116	4,675	4,986
a) Debt with financial institutions and bonds and other marketable securities	0131		
b) Other financial liabilities	0132	4,675	4,986
3. Long-term payables to group companies and associates	0117	5,921	5,890
4. Deferred tax liabilities	0118	13,880	11,994
5. Other non-current liabilities	0135		
6. Long-term accrual accounts	0119	556,162	617,816
C) CURRENT LIABILITIES	0130	4,027,421	2,403,353
1. Liabilities associated with non-current assets held for sale	0121		
2. Short-term provisions	0122		
3. Short-term debts:	0123	31,811	56,126
a) Bank borrowings and bonds and other negotiable securities	0133		
b) Other financial liabilities	0134	31,811	56,126
4. Short-term payables to group companies and associates	0129	702,091	513,043
5. Trade and other payables:	0124	3,170,835	1,711,502
a) Suppliers	0125	2,959,981	1,472,242
b) Other payables	0126	210,854	239,260
c) Current tax liabilities	0127		
6. Other current liabilities	0136		
7. Current accrual accounts	0128	122,684	122,682
TOTAL EQUITY AND LIABILITIES (A + B + C)	0200	14,404,690	15,220,215

IV. SELECTED FINANCIAL INFORMATION

2. INDIVIDUAL PROFIT AND LOSS ACCOUNT (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

			PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 31/07/2019	PREVIOUS CUMULATIVE 31/07/2018
(+)	Revenue	0205			4,381,178	4,024,196
(+/-)	Change in inventories of finished products and work in progress	0206				
(+)	Own work capitalised	0207			4,138	3,219
(-)	Supplies	0208			(3,210,010)	(3,022,989)
(+)	Other operating revenue	0209			115,087	111,643
(-)	Personnel expenses	0217			(113,777)	(139,797)
(-)	Other operating expenses	0210			(701,744)	(648,996)
(-)	Depreciation and amortisation charge	0211			(56,040)	(42,975)
(+)	Allocation of grants for non- financial assets and other grants	0212				
(+)	Reversal of provisions	0213				841
(+/-)	Impairment and gain (loss) on disposal of fixed assets	0214			(1,821)	(2,461)
(+/-)	Other profit (loss)	0215			6,022	
=	**OPERATING PROFIT (LOSS)**	0245			423,033	282,681
(+)	Finance income	0250			6,708	2,068
(-)	Finance costs	0251			(1,381)	(1,116)
(+/-)	Changes in fair value of financial instruments	0252				
(+/-)	Exchange differences	0254			2,192	(754)
(+/-)	Impairment and gain (loss) on disposal of financial instruments	0255				
=	**NET FINANCE INCOME (COSTS)**	0256			7,519	198
=	**PROFIT (LOSS) BEFORE TAX**	0265			430,552	282,879
(+/-)	Income tax expense	0270			(56,237)	(44,162)
=	**PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES**	0280			374,315	238,717
	Profit (loss) from discontinued (+/-) operations, net of tax	0285				
=	**PROFIT (LOSS) FOR THE PERIOD**	0300			374,315	238,717

EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
Basic	0290			0.12	0.08
Diluted	0295			0.12	0.08

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

A. INDIVIDUAL STATEMENT OF RECOGNISED INCOME AND EXPENSE (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2019	PREVIOUS PERIOD 31/07/2018
A) PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	0305	374,315	238,717
B) INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	0310	6,289	4,442
1 From measurement of financial instruments:	0320		
a) Available-for-sale financial assets	0321		
b) Other income/(expenses)	0323		
2 From cash flow hedges	0330	8,385	5,923
3 Grants, donations and bequests received	0340		
4 From actuarial gains and losses and other adjustments	0344		
5 Other income and expense recognised directly in equity	0343		
6 Tax effect	0345	(2,096)	(1,481)
C) TRANSFERS TO PROFIT OR LOSS	0350	5,585	14,144
1 From measurement of financial instruments:	0355		
a) Available-for-sale financial assets	0356		
b) Other income/(expenses)	0358		
2 From cash flow hedges	0360	7,547	18,959
3 Grants, donations and bequests received	0366	(75)	(75)
4 Other income and expense recognised directly in equity	0365		
5 Tax effect	0370	(1,887)	(4,740)
TOTAL RECOGNISED INCOME/(EXPENSE) (A + B + C)	0400	386,189	257,303

Comments

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY (1/2)

B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

CURRENT PERIOD		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
		Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/02/2019	3010	93,500	1,769,565	(77,077)	10,381,284		(6,289)	904	12,161,887
Adjustments for changes in accounting policy	3011								
Adjustment for errors	3012								
Adjusted opening balance	3015	93,500	1,769,565	(77,077)	10,381,284		(6,289)	904	12,161,887
I. Total recognised income/(expense)	3020				374,315		11,949	(75)	386,189
II. Transactions with shareholders or owners	3025				(2,740,783)				(2,740,783)
1. Capital increases/ (reductions)	3026								
2. Conversion of financial liabilities into equity	3027								
3. Distribution of dividends	3028				(2,740,783)				(2,740,783)
4. Net trading with treasury stock	3029								
5. Increases/ (reductions) for business combinations	3030								
6. Other transactions with shareholders or owners	3032								
III. Other changes in equity	3035		7,610,993	17,112	(7,640,501)				(12,396)
1. Equity-settled share-based payment	3036		(30,112)	17,112					(13,000)
2. Transfers between equity accounts	3037		7,640,501		(7,640,501)				
3. Other changes	3038		604						604
Closing balance at 31/07/2019	3040	93,500	9,380,558	(59,965)	374,315		5,660	829	9,794,897

IV. SELECTED FINANCIAL INFORMATION

3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY (2/2)

B. INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

PREVIOUS PERIOD		Capital and reserves					Valuation adjustments	Grants, donations and bequests received	Total equity
		Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/02/2018 (comparative period)	3050	93,500	1,563,481	(77,077)	2,374,884		(14,219)	1,017	3,941,586
Adjustments for changes in accounting policy	3051								
Adjustment for errors	3052								
Adjusted opening balance (comparative period)	3055	93,500	1,563,481	(77,077)	2,374,884		(14,219)	1,017	3,941,586
I. Total recognised income/(expense)	3060				238,717		18,661	(75)	257,303
II. Transactions with shareholders or owners	3065				(2,335,276)				(2,335,276)
1. Capital increases/ (reductions)	3066								
2. Conversion of financial liabilities into equity	3067								
3. Distribution of dividends	3068				(2,335,276)				(2,335,276)
4. Net trading with treasury stock	3069								
5. Increases/ (reductions) for business combinations	3070								
6. Other transactions with shareholders or owners	3072								
III. Other changes in equity	3075		49,788		(39,608)				10,180
1. Equity-settled share-based payment	3076								
2. Transfers between equity accounts	3077		39,608		(39,608)				
3. Other changes	3078		10,180						10,180
Closing balance at 31/07/2018 (comparative period)	3080	93,500	1,613,269	(77,077)	238,717		4,442	942	1,873,793

IV. SELECTED FINANCIAL INFORMATION

4. INDIVIDUAL STATEMENT OF CASH FLOWS (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

			CURRENT PERIOD 31/07/2019	PREVIOUS PERIOD 31/07/2018
A)	**CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)**	0435	408,198	173,200
1	**Profit (loss) before tax**	0405	430,552	282,879
2	**Adjustments to profit (loss):**	0410	(264,585)	(151,518)
(+)	Depreciation and amortisation charge	0411	56,040	42,975
(+/-)	Other net adjustments to profit (loss)	0412	(320,625)	(194,493)
3	**Changes in working capital**	0415	88,709	(74,891)
4	**Other cash flows from operating activities:**	0420	153,522	116,730
(-)	Interest paid	0421	(2,088)	(1,151)
(+)	Dividends received	0422	188,415	155,393
(+)	Interest received	0423	6,085	2,068
(+/-)	Income tax recovered/(paid)	0430	(38,890)	(39,580)
(+/-)	Other sums received/(paid) from operating activities	0425		
B)	**CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)**	0460	325,688	(152,609)
1	**Payments for investments:**	0440	(74,944)	(194,605)
(-)	Group companies, associates and business units	0441	(5)	(44,008)
(-)	Property, plant and equipment, intangible assets and investment property	0442	(74,939)	(150,597)
(-)	Other financial assets	0443		
(-)	Non-current assets and liabilities classified as held for sale.	0459		
(-)	Other assets	0444		
2	**Proceeds from sale of investments**	0450	400,632	41,996
(+)	Group companies, associates and business units	0451	398,874	34,901
(+)	Property, plant and equipment, intangible assets and investment property	0452	1,711	5,158
(+)	Other financial assets	0453	47	1,937
(+)	Non-current assets and liabilities classified as held for sale.	0461		
(+)	Other assets	0454		
C)	**CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3)**	0490	(1,180,805)	(741,902)
1	**Sums received/(paid) in respect of equity instruments**	0470	3,413	
(+)	Issuance	0471		
(-)	Redemption	0472		
(-)	Acquisition	0473		
(+)	Disposal	0474	3,413	
(+)	Grants, donations and bequests received	0475		
2	**Sums received/(paid) in respect of financial liability instruments:**	0480	186,714	425,736
(+)	Issuance	0481	186,714	425,822
(-)	Repayment and redemption	0482		(86)
3	**Payment of dividends and remuneration on other equity instruments**	0485	(1,370,392)	(1,167,638)
D)	**EFFECT OF FOREIGN EXCHANGE RATE CHANGES**	0492		
E)	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)**	0495	(446,919)	(721,311)
F)	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**	0499	4,158,816	1,857,202
G)	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)**	0500	3,711,897	1,135,891

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 31/07/2019	PREVIOUS PERIOD 31/07/2018
(+) Cash on hand and at banks	0550	3,711,897	1,132,504
(+) Other financial assets	0552		3,387
(-) *Less: Bank overdrafts repayable on demand*	0553		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	0600	3,711,897	1,135,891

IV. SELECTED FINANCIAL INFORMATION

5.CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (1/2)

Units: Thousand euros

ASSETS		CURRENT P. 31/07/2019	PREVIOUS P. 31/01/2019
A) NON-CURRENT ASSETS	**1040**	16,647,446	11,063,802
1. Intangible assets:	**1030**	6,371,913	1,016,179
a) Goodwill	**1031**	206,832	205,795
b) Other intangible assets	**1032**	6,165,081	810,384
2. Property, plant and equipment	**1033**	8,416,322	8,338,685
3. Investment property	**1034**	19,976	20,350
4. Investments accounted for using the equity method	**1035**	240,323	249,205
5. Non-current financial assets	**1036**	12,291	17,658
a) At fair value through profit or loss	**1047**		
Of which, "Designated upon initial recognition"	**1041**		
b) At fair value through other comprehensive income	**1042**		
Of which, "Designated upon initial recognition"	**1043**		
c)At amortised cost	**1044**	12,291	17,658
6. Non-current derivatives	**1039**		
a) Hedging	**1045**		
a) Other	**1046**		
7. Deferred tax assets	**1037**	1,083,068	857,927
8. Other non-current assets	**1038**	503,553	563,798
B) CURRENT ASSETS	**1085**	10,594,427	10,620,015
1. Non-current assets held for sale	**1050**		
2. Inventories	**1055**	2,663,625	2,716,245
3. Trade and other receivables:	**1060**	950,920	927,368
a) Trade receivables	**1061**	841,252	819,821
b) Other receivables	**1062**		
c) Current tax assets	**1063**	109,668	107,547
4. Other current financial assets	**1070**	2,005,566	1,928,834
a) At fair value through profit or loss	**1080**		
Of which, "Designated upon initial recognition"	**1081**		
b) At fair value through other comprehensive income	**1082**		
Of which, "Designated upon initial recognition"	**1083**		
c) At amortised cost	**1084**	2,005,566	1,928,834
5. Current derivatives	**1076**	30,191	19,652
a) Hedging	**1077**	30,191	19,652
a) Other	**1078**		
6. Other current assets	**1075**	135,940	162,278
7. Cash and cash equivalents	**1072**	4,808,185	4,865,638
TOTAL ASSETS (A + B)	**1100**	27,241,873	21,683,817

IV. SELECTED FINANCIAL INFORMATION

5. CONSOLIDATED BALANCE SHEET (ADOPTED IFRS) (2/2)

Units: Thousand euros

EQUITY AND LIABILITIES		CURRENT P. 31/07/2019	PREVIOUS P. 31/01/2019
A) EQUITY (A.1 + A.2 + A.3)	**1195**	12,880,687	14,682,441
A.1) CAPITAL AND RESERVES	**1180**	13,091,389	15,078,331
1. Capital	**1171**	93,500	93,500
a) Registered capital	**1161**	93,500	93,500
b) *Less: Uncalled capital*	**1162**		
2. Share premium	**1172**	20,379	20,379
3. Reserves	**1173**	11,487,983	11,597,771
4. *Own shares and equity holdings*	**1174**	(59,965)	(77,077)
5. Prior periods' profit and loss	**1178**		
6. Other shareholder contributions	**1179**		
7. Profit (loss) for the period attributable to the parent company	**1175**	1,549,492	3,443,758
8. *Less: Interim dividend*	**1176**		
9. Other equity instruments	**1177**		
A.2) ACCUMULATED OTHER COMPREHENSIVE INCOME	**1188**	(243,820)	(425,536)
1. Items that are not reclassified to profit or loss	**1186**		
a) Equity instruments through other comprehensive income	**1185**		
b) Others	**1190**		
2. Items that may subsequently be reclassified to profit or loss	**1187**	(243,820)	(425,536)
a) Hedging transactions	**1182**	10,851	(5,624)
b) Traslation differences	**1184**	(254,671)	(419,912)
c) Share in other comprehensive income for investments in join ventures and others	**1192**		
d) Debt instruments at fair value through other comprehensive income	**1191**		
e) Others	**1183**		
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY (A.1 + A.2)	**1189**	12,847,569	14,652,795
A.3) NON-CONTROLLING INTERESTS	**1193**	33,118	29,646
B) NON-CURRENT LIABILITIES	**1120**	6,036,495	1,618,185
1. Grants	**1117**		
2. Long-term provisions	**1115**	214,644	229,086
3. Long-term financial liabilities:	**1116**	4,209	5,276
a) Debt with financial institutions and bonds and other marketable securities	**1131**	4,209	5,276
b) Other financial liabilities	**1132**		
4. Deferred tax liabilities	**1118**	301,031	311,609
5. Non-current derivatives	**1140**		
a) Hedging	**1141**		
b) Other	**1142**		
6. Other non-current liabilities	**1135**	5,516,611	1,072,214
C) CURRENT LIABILITIES	**1130**	8,324,691	5,383,191
1. Liabilities associated with non-current assets held for sale	**1121**		
2. Current provisions	**1122**		
3. Current financial liabilities:	**1123**	109,462	107,528
a) Debt with financial institutions and bonds and other marketable securities	**1133**	79,777	84,331
b) Other financial liabilities	**1134**	29,685	23,197
4. Trade and other payables:	**1124**	6,632,003	5,251,498
a) Suppliers	**1125**	6,457,515	5,098,938
b) Other payables	**1126**		
c) Current tax liabilities	**1127**	174,488	152,560
5. Current derivatives	**1145**		24,165
a) Hedging	**1146**		24,165
b) Other	**1147**		
6. Other current liabilities	**1136**	1,583,226	
TOTAL EQUITY AND LIABILITIES (A + B + C)	**1200**	27,241,873	21,683,817

IV. SELECTED FINANCIAL INFORMATION

6. CONSOLIDATED PROFIT AND LOSS ACCOUNT (ADOPTED IFRS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF YEAR)	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 31/07/2019	PREVIOUS CUMULATIVE 31/07/2018
(+) Revenue	1205			12,820,191	12,025,489
(+/-) Change in inventories of finished products and work in progress	1206			(52,620)	117,686
(+) Own work capitalised	1207				
(-) Supplies	1208			(5,483,801)	(5,325,763)
(+) Other operating revenue	1209				
(-) Personnel expenses	1217			(2,075,435)	(2,002,780)
(-) Other operating expenses	1210			(1,747,353)	(2,456,411)
(-) Depreciation and amortisation charge	1211			(1,377,670)	(617,327)
(+) Allocation of grants for non- financial assets and other grants	1212				
(+/-) Impairment and gain (loss) on disposal of fixed assets	1214			(29,489)	58,592
(+/-) Gain (loss) on disposal of non-current assets	1216				
(+/-) Other profit (loss)	1215			(14,123)	(15,329)
= OPERATING PROFIT (LOSS)	1245			2,039,700	1,784,157
(+) Finance income	1250			14,886	13,461
a) Interest income calculated using the effective interest rate method	1262				
b) Other	1263			14,886	13,461
(-) Finance costs	1251			(81,543)	(3,304)
(+/-) Changes in fair value of financial instruments	1252				
(+/-) Gain (loss) from reclassification of financial assets at amortised cost to financial assets at fair value	1258				
(+/-) Gain (loss) from reclassification of financial assets at fair value through other comprehensive income to	1259				
(+/-) Exchange differences	1254			(10,488)	11,151
(+/-) Impairment and gain (loss) on disposal of financial instruments	1255				
(+/-) Gain (loss) on disposal of financial instruments	1257				
a) Financial instruments at amortised cost	1260				
b) Other financial instruments	1261				
= NET FINANCE INCOME (COSTS)	1256			(77,145)	21,308
(+/-) Profit (loss) of equity-accounted investees	1253			24,421	18,002
= PROFIT (LOSS) BEFORE TAX	1265			1,986,976	1,823,467
(+/-) Income tax expense	1270			(434,155)	(412,651)
= PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	1280			1,552,821	1,410,816
(+/-) Profit (loss) from discontinued operations, net of tax	1285				
= CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	1288			1,552,821	1,410,816
a) Profit (loss) for the period attributable to the parent company	1300			1,549,492	1,408,677
b) Profit (loss) attributable to non- controlling interests	1289			3,329	2,139

EARNINGS PER SHARE		Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)	Amount (X.XX euros)
Basic	1290			0.50	0.45
Diluted	1295			0.50	0.45

IV. SELECTED FINANCIAL INFORMATION

7. CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (ADOPTED IFRS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF	PREVIOUS CURR. PERIOD (2nd HALF YEAR)	CURRENT PERIOD 31/07/2019	PREVIOUS PERIOD 31/07/2018
A) CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	1305			1,552,821	1,410,816
B) OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE NOT RECLASSIFIED TO PROFIT OR LOSS:	1310				
1 From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets	1311				
2 From actuarial gains and losses	1344				
3 Share in other comprehensive income of investments in joint ventures and associates	1342				
4 Equity instruments with changes through other comprehensive income	1346				
5 Other income and expenses that are not reclassified to profit or loss	1343				
6 Tax effect	1345				
C) OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS:	1350			71,745	20,143
1. Hedging transactions:	1360			23,307	37,784
a) Valuation gains/(losses)	1361			15,377	12,406
b) Amounts transferred to profit or loss	1362			7,930	25,378
c) Amounts transferred to intitial carrying amount of hedged items	1363				
d) Other reclassifications	1364				
2. Translation differences:	1365			55,270	(15,878)
a) Valuation gains/(losses)	1366			55,270	(15,878)
b) Amounts transferred to profit or loss	1367				
d) Other reclassifications	1368				
3. Share in other comprehensive income of investments in joint ventures and associates:	1370				
a) Valuation gains/(losses)	1371				
b) Amounts transferred to profit or loss	1372				
c) Other reclassifications	1373				
4. Debt instruments at fair value through other comprehensive income	1381				
a) Valuation gains/(losses)	1382				
b) Amounts transferred to profit or loss	1383				
c) Other reclassifications	1384				
5. Other income and expenses that may subsequently be reclassified to profit or loss	1375				
a) Valuation gains/(losses)	1376				
b) Amounts transferred to profit or loss	1377				
c) Other reclassifications	1378				
6 Tax effect	1380			(6,832)	(1,763)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A + B + C)	1400			1,624,566	1,430,959
a) Attributable to the parent company	1398			1,621,237	1,428,820
b) Attributable to non-controlling interests	1399			3,329	2,139

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (ADOPTED IFRS) (1/2)

Units: Thousand euros

CURRENT PERIOD		Equity attributable to the parent company							
		Capital and reserves							
		Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period attributable to the parent company	Other equity instruments	Valuation adjustments	Non- controlling interests	Total equity
Closing balance at 01/02/2019	3110	93,500	11,618,150	(77,077)	3,443,758		(425,536)	29,646	14,682,441
Adjustments for changes in accounting policy	3111		(670,490)						(670,490)
Adjustment for errors	3112								
Adjusted opening balance	3115	93,500	10,947,660	(77,077)	3,443,758		(425,536)	29,646	14,011,951
I. Total comprehensive income/(expense) for the period	3120				1,549,492		71,745	3,329	1,624,566
II. Transactions with shareholders or owners	3125				(2,740,783)				(2,740,783)
1. Capital increases/ (reductions)	3126								
2. Conversion of financial liabilities into equity	3127								
3. Distribution of dividends	3128				(2,740,783)				(2,740,783)
4. Purchase / sale of treasury stock	3129								
5. Equity increase/ (decrease) resulting from business combinations	3130								
6. Other transactions with shareholders or owners	3132								
III. Other changes in equity	3135		680,050	17,112	(702,975)		(9,377)	143	(15,047)
1. Equity-settled share-based payment	3136		(24,142)	17,112					(7,030)
2. Transfers among components of equity	3137		712,352		(702,975)		(9,377)		
3. Other changes	3138		(8,160)					143	(8,017)
Closing balance at 31/07/2019	3140	93,500	11,627,710	(59,965)	1,549,492		(363,168)	33,118	12,880,687

IV. SELECTED FINANCIAL INFORMATION

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (ADOPTED IFRS) (2/2)

Units: Thousand euros

PREVIOUS PERIOD		Equity attributable to the parent company						Non- controlling interests	Total equity
		Capital and reserves					Valuation adjustments		
		Capital	Share premium and Reserves	Treasury stock	Profit (loss) for the period attributable to the parent company	Other equity instruments			
Closing balance at 01/02/2018	3150	93,500	10,672,182	(77,077)	3,367,620		(559,036)	25,336	13,522,525
Adjustments for changes in accounting policy	3151								
Adjustment for errors	3152								
Adjusted opening balance	3155	93,500	10,672,182	(77,077)	3,367,620		(559,036)	25,336	13,522,525
I. Total comprehensive income/(expense) for the period	3160				1,408,677		20,143	2,139	1,430,959
II. Transactions with shareholders or owners	3165				(2,335,276)				(2,335,276)
1. Capital increases/ (reductions)	3166								
2. Conversion of financial liabilities into equity	3167								
3. Distribution of dividends	3168				(2,335,276)				(2,335,276)
4. Purchase / sale of treasury stock	3169								
5. Equity increase/ (decrease) resulting from business combinations	3170								
6. Other transactions with shareholders or owners	3172								
III. Other changes in equity	3175		996,933		(1,032,344)		48,461	647	13,697
1. Equity-settled share-based payment	3176		20,516						20,516
2. Transfers among components of equity	3177		983,883		(1,032,344)		48,461		
3. Other changes	3178		(7,466)					647	(6,819)
Closing balance at 31/07/2018	3180	93,500	11,669,115	(77,077)	1,408,677		(490,432)	28,122	12,631,905

IV. SELECTED FINANCIAL INFORMATION

9.A. CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2019	PREVIOUS PERIOD 31/07/2018
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	1435	2,889,333	1,526,205
1. Profit (loss) before tax	1405	1,986,976	1,823,467
2. Adjustments to profit (loss):	1410	1,403,662	493,325
(+) Depreciation and amortisation charge	1411	1,407,159	558,735
(+/-) Other net adjustments to profit (loss)	1412	(3,497)	(65,410)
3. Changes in working capital	1415	(49,829)	(412,130)
4. Other cash flows from operating activities:	1420	(451,476)	(378,457)
(-) Interest paid	1421		
(-) Payment of dividends and remuneration on other equity instruments	1430		
(+) Dividends received	1422		
(+) Interest received	1423		
(+/-) Income tax recovered/(paid)	1424	(451,476)	(378,457)
(+/-) Other sums received/(paid) from operating activities	1425		
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)	1460	(642,416)	(1,258,008)
1. Payments for investments:	1440	(664,040)	(1,301,348)
(-) Group companies, associates and business units	1441		
(-) Property, plant and equipment, intangible assets and investment property	1442	(619,107)	(872,842)
(-) Other financial assets	1443		(1,610)
(-) Non-current assets and liabilities classified as held-for-sale	1459		
(-) Other assets	1444	(44,933)	(426,896)
2. Proceeds from sale of investments	1450	21,624	43,340
(+) Group companies, associates and business units	1451		
(+) Property, plant and equipment, intangible assets and investment property	1452		24,205
(+) Other financial assets	1453		
(+) Non-current assets and liabilities classified as held-for-sale	1461		
(+) Other assets	1454	21,624	19,135
3. Other cash flows from investing activities	1455		
(+) Dividends received	1456		
(+) Interest received	1457		
(+/-) Other sums received/(paid) from investing activities	1458		
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)	1490	(2,322,924)	(1,134,451)
1. Sums received/(paid) in respect of equity instruments	1470		
(+) Issuance	1471		
(-) Redemption	1472		
(-) Acquisition	1473		
(+) Disposal	1474		
2. Sums received/(paid) in respect of financial liability instruments:	1480	(2,549)	33,187
(+) Issuance	1481		33,801
(-) Repayment and redemption	1482	(2,549)	(614)
3. Payment of dividends and remuneration on other equity instruments	1485	(1,370,392)	(1,167,638)
4. Other cash flows from financing activities	1486	(949,983)	
(-) Interest paid	1487		
(+/-) Other sums received/(paid) from financing activities	1488	(949,983)	
D) EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH HELD	1492	18,554	26,227
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	1495	(57,453)	(840,027)
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1499	4,865,638	4,930,668
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	1500	4,808,185	4,090,641

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD	PREVIOUS PERIOD
(+) Cash on hand and at banks	1550	3,077,854	2,436,721
(+) Other financial assets	1552	1,730,331	1,653,920
(-) *Less: Bank overdrafts repayable on demand*	1553		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1600	4,808,185	4,090,641

IV. SELECTED FINANCIAL INFORMATION

9.B. CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2019	PREVIOUS PERIOD 31/07/2018
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	**8435**		
(+) Proceeds from operating activities	**8410**		
(-) Payments to suppliers and to personnel for operating expenses	**8411**		
(-) Interest paid	**8421**		
(-) Payment of dividends and remuneration on other equity instruments	**8422**		
(+) Dividends received	**8430**		
(+) Interest received	**8423**		
(+/-) Income tax recovered/(paid)	**8424**		
(+/-) Other sums received/(paid) from operating activities	**8425**		
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)	**8460**		
1. Payments for investments:	**8440**		
(-) Group companies, associates and business units	**8441**		
(-) Property, plant and equipment, intangible assets and investment property	**8442**		
(-) Other financial assets	**8443**		
(-) Other assets	**8444**		
2 Proceeds from sales of investments	**8450**		
(+) Group companies, associates and business units	**8451**		
(+) Property, plant and equipment, intangible assets and investment property	**8452**		
(+) Other financial assets	**8453**		
(+) Other assets	**8454**		
3. Other cash flows from investing activities	**8455**		
(+) Dividends received	**8456**		
(+) Interest received	**8457**		
(+/-) Other flows from investing activities	**8458**		
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)	**8490**		
1. Sums received/(paid) in respect of equity instruments	**8470**		
(+) Issuance	**8471**		
(-) Redemption	**8472**		
(-) Acquisition	**8473**		
(+) Disposal	**8474**		
2. Sums received/(paid) in respect of financial liability instruments:	**8480**		
(+) Issuance	**8481**		
(-) Repayment and redemption	**8482**		
3. Payment of dividends and remuneration on other equity instruments	**8485**		
4. Other cash flows from financing activities	**8486**		
(-) Interest paid	**8487**		
(+/-) Other sums received/(paid) from financing activities	**8488**		
D) EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS HELD	**8492**		
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**8495**		
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**8499**		
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	**8500**		

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 31/07/2019	PREVIOUS PERIOD 31/07/2018
(+) Cash on hand and at banks	**8550**		
(+) Other financial assets	**8552**		
(-) *Less: Bank overdrafts repayable on demand*	**8553**		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**8600**		

IV. SELECTED FINANCIAL INFORMATION

10. DIVIDENDS PAID

		CURRENT PERIOD			PREVIOUS PERIOD		
		Euros per share (X.XX)	Amount (thousand euros)	No. of shares to be delivered	Euros per share (X.XX)	Amount (thousand euros)	No. of shares to be delivered
Ordinary shares	2158	0.44	1,370,392		0.38	1,167,638	
Other shares (non-voting shares, redeemable shares, etc.)	2159						
Total dividends paid	2160	0.44	1,370,392		0.38	1,167,638	
a) Dividends charged to profit and loss	2155	0.44	1,370,392		0.38	1,167,638	
b) Dividends charged to reserves premium or share	2156						
c) Dividends in kind	2157						
d) Flexible payment	2154						

IV. SELECTED FINANCIAL INFORMATION

11. SEGMENT INFORMATION

Units: Thousand euros

GEOGRAPHIC AREA		Distribution of revenue by geographic area			
		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Domestic market	2210	752,068	692,461	2,161,013	2,083,281
International market:	2215	3,629,110	3,331,735	10,659,178	9,942,208
a) European Union	2216	1,564,900	1,434,065	4,751,000	4,461,826
a.1) Euro Area	2217	1,092,622	1,055,192	3,505,010	3,301,677
a.2) Non- Euro Area	2218	472,278	378,873	1,245,990	1,160,149
b) Other countries	2219	2,064,210	1,897,670	5,908,178	5,480,382
TOTAL	2220	4,381,178	4,024,196	12,820,191	12,025,489

Comments

SEGMENTS		CONSOLIDATED			
		Ordinary revenue		Profit (loss)	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Zara and Zara Home	2221	8,895,014	8,292,122	1,438,035	1,324,232
Bershka	2222	1,079,750	1,044,901	147,878	146,977
Others	2223	2,845,427	2,688,466	401,062	352,258
	2224				
	2225				
	2226				
	2227				
	2228				
	2229				
	2230				
TOTAL	2235	12,820,191	12,025,489	1,986,975	1,823,467

IV. SELECTED FINANCIAL INFORMATION

12. AVERAGE WORKFORCE

		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
AVERAGE WORKFORCE	**2295**	2,130	1,973	167,897	165,304
Men	**2296**	934	858	41,221	40,819
Women	**2297**	1,196	1,115	126,676	124,485

IV. SELECTED FINANCIAL INFORMATION

13. REMUNERATION RECEIVED BY DIRECTORS AND MANAGING DIRECTORS

DIRECTORS:

Type of remuneration:

		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Remuneration for membership on the board and/or board committees	**2310**	1,019	1,015
Fixed salaries	**2311**	1,679	1,625
Variable retribution in cash	**2312**		
Remuneration systems based on shares	**2313**		
Termination benefits	**2314**		
Long Term saving systems	**2315**		
Other	**2316**		
TOTAL	**2320**	2,698	2,640

MANAGERS:

		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Total remuneration paid to managers	**2325**	9,311	9,097

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (1/2)

Units: Thousand euros

EXPENSES AND REVENUE		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Finance costs	2340					
2) Leases	2343	21,248				21,248
3) Services received	2344					
4) Purchase of inventories	2345			477,791		477,791
5) Other expenses	2348	7				7
TOTAL EXPENSES (1+2+3+4+5)	**2350**	21,255		477,791		499,046
6) Finance income	2351					
7) Dividends received	2354					
8) Services rendered	2356	23				23
9) Sale of inventories	2357					
10) Other income	2359		22			22
TOTAL REVENUE (6+7+8+9+10)	**2360**	23	22			45

OTHER TRANSACTIONS		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Financing agreements: loans and capital contributions (lender)	2372					
Financing agreements: loans and capital contributions (borrower)	2375					
Guarantees and collateral given	2381					
Guarantees and collateral received	2382					
Commitments assumed	2383					
Dividends and other earnings distributed	2386					
Other transactions	2385					

BALANCES ON THE REPORTING DATE		CURRENT PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Trade receivables	2341	34				34
2) Loans and credit given	2342					
3) Other receivables	2346					
TOTAL RECEIVABLES (1+2+3)	**2347**	34				34
4) Trade payables	2352	486				486
5) Loans and credit received	2353					
6) Other payment obligations	2355					
TOTAL PAYABLES (4+5+6)	**2358**	486				486

Comments

IV. SELECTED FINANCIAL INFORMATION

14. RELATED-PARTY TRANSACTIONS AND BALANCES (2/2)

Units: Thousand euros

EXPENSES AND REVENUE		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Finance costs	6340					
2) Leases	6343	22,522				22,522
3) Services received	6344					
4) Purchase of inventories	6345			452,456		452,456
5) Other expenses	6348	50				50
TOTAL EXPENSES (1+2+3+4+5)	**6350**	22,572		452,456		475,028
6) Finance income	6351					
7) Dividends received	6354					
8) Services rendered	6356	1,448				1,448
9) Sale of inventories	6357	1,117				1,117
10) Other income	6359					
TOTAL REVENUE (6+7+8+9+10)	**6360**	2,565				2,565

OTHER TRANSACTIONS		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
Financing agreements: loans and capital contributions (lender)	6372					
Financing agreements: loans and capital contributions (borrower)	6375					
Guarantees and collateral given	6381					
Guarantees and collateral received	6382					
Commitments assumed	6383					
Dividends and other earnings distributed	6386					
Other transactions	6385					

BALANCES ON THE REPORTING DATE		PREVIOUS PERIOD				
		Significant shareholders	Directors and managers	Group employees, companies and entities	Other related parties	Total
1) Trade receivables	6341	2,284				2,284
2) Loans and credit given	6342					
3) Other receivables	6346					
TOTAL RECEIVABLES (1+2+3)	**6347**	2,284				2,284
4) Trade payables	6352	1,089				1,089
5) Loans and credit received	6353					
6) Other payment obligations	6355					
TOTAL PAYABLES (4+5+6)	**6358**	1,089				1,089

Comments

V. HALF YEARLY FINANCIAL INFORMATION

Content of this section:

		Individual	Consolidado
Explanatory notes	**2376**		
Condensed half-yearly accounts	**2377**		X
Full half-yearly accounts	**2378**		
Interim management report	**2379**		X
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VII. AUDIT REPORT

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST HALF OF 2019

Deloitte.

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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

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Industria de Diseño Textil, S.A. at the request of the Board of Directors:

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Industria de Diseño Textil, S.A. (hereafter "the Parent") and Subsidiaries (hereafter "the Group"), which comprise the condensed consolidated balance sheet as at 31 July 2019, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and notes thereto for the six-month period then ended. The Parent's directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 31 July 2019 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matters

We draw attention to Note 1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 January 2019. Our conclusion is not modified in respect of this matter.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 31 July 2019 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 31 July 2019. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Subsidiaries.

Paragraph about other matters

This report was prepared at the request of the Board of Directors of the Parent in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Germán de la Fuente

11 September 2019

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM DIRECTORS' REPORT FOR THE FIRST HALF OF 2019

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 9). In the event of a discrepancy, the Spanish-language version prevails.

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INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(Amounts in millions of euros)	**31/07/2019**	**31/07/2018**
Net sales	12,820	12,025
Cost of sales	(5,536)	(5,208)
GROSS PROFIT	**7,284**	**6,817**
	56.8%	*56.7%*
Operating expenses	(3,823)	(4,459)
Other losses and income, net	(14)	(15)
GROSS OPERATING PROFIT (EBITDA)	**3,447**	**2,343**
Amortisation and depreciation	(1,407)	(559)
NET OPERATING PROFIT (EBIT)	**2,040**	**1,784**
Financial results	(77)	21
Results of companies accounted for using the equity method	24	18
PROFIT BEFORE TAXES	**1,987**	**1,823**
Income tax	(434)	(413)
NET PROFIT	**1,553**	**1,411**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**3**	**2**
NET PROFIT ATTRIBUTABLE TO THE PARENT	**1,549**	**1,409**
EARNINGS PER SHARE (*) , Euros	**0.498**	**0.452**

(*) EPS calculated on the basis of 3,114.2 million shares in 2019 and 3,113.7 million shares in 2018.

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in millions of euros)	**31/07/2019**	**31/07/2018**
Net profit	**1,553**	**1,411**
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	55	(16)
Cash flow hedges		
Profit	15	12
Loss	-	-
Tax effect	(3)	-
Total	**68**	**(4)**
Transfers to profit or loss:		
Cash flow hedges		
Profit	(3)	(6)
Loss	11	31
Tax effect	(4)	(2)
Total	**4**	**24**
Total comprehensive income for the period	**1,625**	**1,431**
Total comprehensive income attributable to:		
Equity holders of the Parent	1,621	1,429
Non-controlling interests	3	2
Total comprehensive income for the period	**1,625**	**1,431**

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts in millions of euros)	31/07/2019	31/01/2019
ASSETS		
NON-CURRENT ASSETS	**16,647**	**11,064**
Rights over leased assets	-	464
Rights of use	5,803	-
Other intangible assets	362	346
Goodwill	207	206
Property, plant and equipment	8,416	8,339
Investment property	20	20
Financial investments	253	267
Other non-current assets	504	564
Deferred tax assets	1,083	858
CURRENT ASSETS	**10,594**	**10,620**
Inventories	2,664	2,716
Trade and other receivables	841	820
Income tax receivable	110	108
Other current assets	136	162
Other financial assets	30	20
Current financial investments	2,006	1,929
Cash and cash equivalents	4,808	4,866
TOTAL ASSETS	**27,242**	**21,684**
EQUITY AND LIABILITIES		
EQUITY	**12,881**	**14,682**
Equity attributable to the Parent	12,848	14,653
Equity attributable to non-controlling interests	33	30
NON-CURRENT LIABILITIES	**6,036**	**1,618**
Provisions	215	229
Other non-current liabilities	323	1,072
Financial debt	4	5
Lease liability	5,193	-
Deferred tax liabilities	301	312
CURRENT LIABILITIES	**8,325**	**5,383**
Financial debt	80	84
Other financial liabilities	30	47
Lease liability	1,583	-
Income tax payable	174	153
Trade and other payables	6,458	5,099
TOTAL EQUITY AND LIABILITIES	**27,242**	**21,684**

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in millions of euros)	**From 1 February 2019 To 31 July 2019**	**From 1 February 2018 To 31 July 2018**
Profit before taxes and non-controlling interest	**1,987**	**1,823**
Adjustments to profit		
Amortisation and depreciation	1,407	559
Foreign exchange translation differences	(4)	(34)
Provisions for impairment	(54)	(35)
Results from companies consolidated by equity method	(24)	(18)
Lease financial expenses	75	-
Other	5	22
Income tax	**(451)**	**(378)**
Funds from operations	**2,939**	**1,938**
Variation in assets and liabilities		
Inventories	115	(105)
Receivables and other current assets	(74)	(207)
Current payables	(91)	(100)
Changes in working capital	**(50)**	**(412)**
Cash flows from operating activities	**2,889**	**1,526**
Payments relating to investments in intangible assets	(119)	(130)
Payments relating to investments in property, plant and equipment	(500)	(743)
Collections relating to divestments of property, plant and equipment	-	24
Payments relating investment in other financial investments	-	(2)
Payments relating investment in other assets	(3)	(10)
Collections relating investment in other assets	22	19
Changes in current financial investments	(42)	(417)
Cash flows from investing activities	**(642)**	**(1,258)**
Collections relating to non-current financial debt	-	3
Payments relating to non-current financial debt	(1)	(1)
Changes relating to current financial debt	(1)	31
Payments relating to leases	(950)	-
Dividends	(1,370)	(1,168)
Cash flows used in financing activities	**(2,323)**	**(1,134)**
Net increase in cash and cash equivalents	(76)	(866)
Cash and cash equivalents at the beginning of the period	4,866	4,931
Effect of exchange rate fluctuations on cash and cash equivalents	18	26
Cash and cash equivalents at the end of the period	**4,808**	**4,091**

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2019.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

INTERIM CONDENSED 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 2018	**94**	**20**	**13,747**	**90**	**183**	**(77)**	**(533)**	**(26)**	**13,497**	**25**	**13,523**
Profit for the year	-	-	1,409	-	-	-	-	-	1,409	2	1,411
Distribute results	-	-	(42)	-	42	-	-	-	-	-	-
Distribute dividends	-	-	20	-	(20)	-	-	-	-	-	-
Transfers	-	-	(48)	-	-	-	48	-	-	-	-
Other movements	-	-	(7)	-	-	-	-	-	(7)	1	(6)
Other comprehensive income for the year	-	-	-	-	-	-	(16)	36	20	-	20
· Translation differences related to foreign operations	-	-	-	-	-	-	(16)	-	(16)	-	(16)
· Cash flow hedges	-	-	-	-	-	-	-	36	36	-	36
Operations with equity holders or owners	-	-	(2,335)	21	-	-	-	-	(2,315)	-	(2,315)
· Share-based payments recognition	-	-	-	21	-	-	-	-	21	-	21
· Dividends	-	-	(2,335)	-	-	-	-	-	(2,335)	-	(2,335)
Balance at 31 July 2018	**94**	**20**	**12,742**	**110**	**205**	**(77)**	**(501)**	**10**	**12,604**	**28**	**12,632**
Balance at 31 January 2019	**94**	**20**	**14,719**	**117**	**206**	**(77)**	**(420)**	**(6)**	**14,653**	**30**	**14,682**
Adjustment on initial application of new Reporting standards (Note 2)			(670)						(670)		(670)
Balance at 1 February 2019	**94**	**20**	**14,049**	**117**	**206**	**(77)**	**(420)**	**(6)**	**13,982**	**30**	**14,012**
Profit for the year	-	-	1,549	-	-	-	-	-	1,549	3	1,553
Distribute results	-	-	(54)	-	54	-	-	-	-	-	-
Distribute dividends	-	-	45	-	(45)	-	-	-	-	-	-
Transfers	-	-	9	-	-	-	(9)	-	-	-	-
Other movements	-	-	(15)	1	-	-	-	-	(14)	-	(13)
Argentina reexpresion	-	-	5	-	-	-	-	-	5	-	5
Other comprehensive income for the year	-	-	-	-	-	-	55	16	72	-	72
· Translation differences related to foreign operations	-	-	-	-	-	-	55	-	55	-	55
· Cash flow hedges	-	-	-	-	-	-	-	16	16	-	16
Operations with equity holders or owners	-	-	(2,718)	(47)	-	17	-	-	(2,748)	-	(2,748)
· Share-based payments recognition	-	-	-	6	-	-	-	-	6	-	6
· Share-based payments	-	-	23	(53)	-	17	-	-	(13)	-	(13)
· Dividends	-	-	(2,741)	-	-	-	-	-	(2,741)	-	(2,741)
Balance at 31 July 2019	**94**	**20**	**12,871**	**71**	**215**	**(60)**	**(374)**	**11**	**12,848**	**33**	**12,881**

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2019.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see notes 1 and 9). In the event of a discrepancy, the Spanish-language version prevails.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 31 JULY 2019

1 Basis of presentation

The interim condensed consolidated financial statements of the Inditex Group, the parent of which is Industria de Diseño Textil, S.A("the Group", "the Group Inditex", "the Company" or "Inditex") for the six-month period ended 31 July 2019 ("interim financial statements") were prepared in accordance with International Accounting Standard ("IAS 34"), on Interim Financial Reporting and pursuant to Article 12 of Royal Decree 1362/2007. Accordingly, they do not include all the information and additional disclosures required in a complete set of annual consolidated financial statements and, in order to be interpreted properly, they must be read in conjunction with the consolidated financial statements for the year ended 31 January 2019. These interim financial statements were prepared by the Board of Directors at its meeting held on 10 September 2019.

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 six-month period ended 31 July 2019 will hereinafter be referred to as the "first half of 2019" and the six-month period ended 31 July 2018 as the "first half of 2018".

Unless otherwise stated, the amounts shown in these interim financial statements are expressed in millions of euros.

The interim condensed consolidated financial statements are presented in euros, since the euro is the Group's functional currency.

The interim condensed financial statements of the Inditex Group for the first half of 2019 were prepared on the basis of the accounting records of Inditex and the other Group companies.

The comparison of information in the interim financial statements refers to the six-month periods ended 31 July 2019 and 2018, except with respect to the interim condensed consolidated balance sheet, which compares 31 July 2019 with 31 January 2019. There have been no significant changes in the consolidation scope in the first half of 2019.

Alternative Performance Measures (gross profit, EBITDA, EBIT, ROE, ROCE, working capital, net financial position, store operating profit and quarterly results) are defined in the Initial Note to the consolidated annual accounts for 2018.

2 Accounting policies and basis of consolidation

The accounting policies and basis of consolidation adopted to prepare these interim financial statements at 31 July 2019 are the same as those used to prepare the consolidated annual accounts for 2018, although in addition we have considered the standards and interpretations whose date of mandatory application for the group was 1 February 2019:

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

IFRS 16 – Leases

IFRS 16 "Leases" replaced IAS 17 as well as its associated interpretations. The entry into force of IFRS 16 for the Group is 1 February 2019.

IFRS 16 introduces the principles for recognition, measurement, presentation and disclose leases. IFRS 16 provides a single lessee accounting model, similar to the accounting of the financial leases of IAS 17. The Lessee recognises a liability for the net present value of the lease payments and a right-of-use asset of the underlying asset during the lease term. It also changes the nature of the expenses concerning these leases, given that IFRS 16 replaces the straight-line expenses of the operating lease for an expense derived from depreciation of the recognised asset as an expense for liability-associated interest.

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

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

To determine the lease term there is an assessment of whether the lessee has reasonable certainty that he will exercise the lease extension option, or that he will not exercise the option to terminate the lease. The Group determines the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is reasonable certainty of execution, and 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 to be complied with in order to exercise or not exercise the options;
- Historical experience and business plans approved by Group's management.

The present value of the lease liability is determined using the implicit interest rate in the lease, and if this cannot be easily determined the lessee will use its incremental debt interest rate. Given the difficulty of determining the implicit interest rate of each lease, the Group uses its incremental borrowing rate by market, term and currency, based on the type of assets leased. The average weighted rate according to the rent of each contract by geographical area is as follows:

Spain	0.70%
Rest of Europe	1.26%
Americas	4.32%
Asia and the rest of the World	3.35%

The group has adopted the modified retrospective transition method with the cumulative effect of the initial application of the standard, recognised as an adjustment to reserves at 1 February 2019 and the comparative information has not been restated.

In turn, this transition method enables the asset to be valued retroactively as if the standard had applied since the beginning of the lease or, for an amount equal to the liability adjusted by the prepaid or accrued payments.

Likewise, the Group applied some of the simplifications associated to the transition method adopted. The most relevant are:

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

The contingent rents, common expenses and other expenses related to the lease do not form part of the determination of the lease liability and of the right of use, and the same accounting criteria are used as under IAS 17. Fixed rent payments are replaced by the depreciation of the right of use and the interest recognised over the lease liability.

IAS 17 did not require the recognition of any assets or liabilities for right-of-use for future payments for operating leases; however, it did require disclosure of lease commitments. The difference between this information on lease commitments (IAS 17) and the lease liability (IFRS 16) lies in the different periods considered, the non-cancellable period versus the lease term determined in accordance with IFRS 16, and the fact that the commitments disclosed in Note 24 of the consolidated financial statements for 2018 correspond to the nominal amounts of expected payments while the lease liability in IFRS 16 is determined by applying a discount rate to the expected payments. Thus, the minimum lease payments amounting to 4,954 million euros at 31 January 2019 are reduced by 325 million euros due to the effect of the financial discount and increased by 2,272 million euros mainly by incorporating the periods which are reasonably estimated to be additional to the mandatory period.

The Group performs very active management of its lease agreements, which leads to a high volume of additions, removals and contractual amendments. With the entry into force of IFRS 16, these amendments will add an additional variability factor to the Group's trading figures.

Result of implementation of the standard:

(Amounts in millions of euros)	31-01-19	Transition IFRS 16	01-02-19
ASSETS			
NON-CURRENT ASSETS	**11,064**	**5,539**	**16,603**
Rights of use	-	5,849	5,849
Intangible assets	1,016	(477)	540
Property, plant and equipment	8,359	-	8,359
Financial investments	267	-	267
Other	1,422	166	1,588
CURRENT ASSETS	**10,620**	**(70)**	**10,551**
Inventories	2,716	-	2,716
Trade and other receivables	820	-	820
Current financial investments	1,929	-	1,929
Cash and cash equivalents	4,866	-	4,866
Others	290	(70)	220
TOTAL ASSETS	**21,684**	**5,469**	**27,153**
EQUITY AND LIABILITIES			
EQUITY	**14,682**	**(670)**	**14,012**
Equity attributable to the Parent	14,653	(670)	13,983
Equity attributable to non-controlling interests	30	-	30
NON-CURRENT LIABILITIES	**1,618**	**4,572**	**6,190**
Deferred tax liability	312	(7)	304
Financial debt	5	-	5
Long term Lease liability	-	5,325	5,325
Other long term liabilities	1,301	(746)	555
CURRENT LIABILITIES	**5,383**	**1,568**	**6,952**
Financial debt	84	-	84
Short term Lease liability	-	1,577	1,577
Trade and other payables	5,251	(9)	5,243
Others	47	-	47
TOTAL EQUITY AND LIABILITIES	**21,684**	**5,470**	**27,154**

The impact of the implementation of IFRS 16 from 1 February 2019 on the interim condensed consolidated income statement of the first half 2019 was a higher profit before taxes of 61 million euros and a higher net profit of 46 million euros, compared to IAS 17.

The estimated impact on the 2019 income statement is an estimated 2%-4% increase in net profit compared to IAS 17.

Other standards and amendments approved for application in the European Union

- IFRIC 23 - Uncertainty over income tax treatment. 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 prepayment 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 must 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.

- Improvements to the IFRS 2015-2017 Cycle, which introduces minor amendments to a series of standards. Mandatory in the years beginning on 1 January 2019.

- Amendment to the IAS 19 – Amendment, reduction or liquidation of a plan. In accordance with the proposed amendments, when there is a change in a defined benefits plan (due to a modification, reduction or liquidation of a plan), the entity will use updated hypotheses to determine of the cost of services and net interest for the period after the change of the plan. Mandatory in the years beginning on 1 January 2019.

The application of these standards has not had a significant effect on the accompanied interim condensed consolidated financial statements.

Standards issued and pending approval for use in the European Union

At the date of preparing this accompanying interim condensed consolidated financial statements, the following standards and/or amendments to the standards with a potential impact for the Group had been issued by the IASB but were pending approval for use in the European Union.

- IFRS 17 - Insurance contracts. It replaces IFRS 4, setting out the principles of registration, valuation, presentation and disclosure of insurance contracts to enable the entity to provide relevant and reliable information that allows users of the information to determine the effect that the contracts have on Financial Statements. The date of first application is under review by the IASB at the date of formulation these accounts, although it is currently mandatory in the years that start from 1 January 2021.

- Amendment to IFRS 3 – Business definition, which includes clarifications to the business definition. Mandatory in the years beginning on 1 January 2020.

- Amendment to the 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.

- Amendment to the references of the Conceptual Framework in the IFRS standards. Mandatory in the years beginning on 1 January 2020.

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

In preparing the interim condensed consolidated financial statements at 31 July 2019 estimates were made in order to measure certain 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 the inventory cost.
- The useful life of property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets.
- The assumptions used in the actuarial calculation of liabilities for pensions and other obligations with employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- With regard to the lease agreements, the lease term, the determination of fixed and variable payments, the assessment of whether or not an agreement is or contains a lease, at the effective starting date of the agreement and the discount rate.
- The recovery of deferred tax assets.

These estimates were made using the best information available at 31 July 2019. 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 view of the business activities in which the Group companies engage, their transactions are not substantially cyclical or seasonal in nature. Therefore, no specific disclosures are included in this connection in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 31 July 2019.

3 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 main activity consists of offering the latest fashion trends (clothing, footwear, accessories and household textile products) to meet customer demands, using high quality and sustainability standards and at attractive prices.

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

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

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 Group's logistics system allows continuous deliveries to stores and online throughout the season, from the logistic centres of each of the retail concepts.

At 31 July 2019, the various Group concepts had stores in 96 markets with the following geographical distribution:

	Number of stores		
	Company managed	Franchises	Total
Spain	1,548	42	1,590
Rest of Europe	3,226	146	3,372
Americas	661	182	843
Rest of the World	908	707	1,615
Total	**6,343**	**1,077**	**7,420**

4 Segment reporting

The principal activity of the Inditex Group comprises the retail and online 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 concepts and geographical area.

The key business indicators, understood as those that are part of the periodic segment reporting to the Board of Directors and the Group Management, and used in the decision-making process, are the sales figure and the profit before taxes 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 infomation reported periodically to the Board of Directors and to Group Management.

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

1H2019

	Zara/Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	8,953	1,080	2,846	(59)	12,820
Profit before taxes	1,442	148	408	(10)	1,987
Amortisation and depreciation	941	125	334	7	1,407
Segment total assets	21,337	1,432	4,473	-	27,242

1H2018

	Zara/Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	8,348	1,045	2,689	(58)	12,025
Profit before taxes	1,324	147	352	-	1,823
Amortisation and depreciation	378	51	130	-	559
Segment total assets	16,239	1,088	3,327	-	20,654

For presentation purposes Inditex has integrated the reporting of Zara Home into Zara due to the existing synergies between both 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 Autumn/Winter across a number of markets.

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been 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 interim condensed consolidated financial statements, the 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 interim condensed consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes“ in the interim condensed consolidated income statement. 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. Inter-segment transactions are carried out on an arm´s length basis.

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

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.

5 Property, plant and equipment and intangible assets

The main net investments made in the first half of 2019 amount to 725 million euros (first half of 2018: 1,072 million euros) and relate basically to the investments made in the opening of new stores or the refurbishment of existing ones, recognised under "Property, plant and equipment" in the accompanying interim condensed consolidated balance sheet in 2019 and recognised under "Property, plant and equipment" and "Rights over leased assets" in 2018. No significant disposals or derecognitions took place in the reporting period.

Furthermore, there has been an increase in this heading arising from the accounting of the right-of-use in relation to application of the new IFRS 16.

6 Capital and reserves

Share capital

At 31 July 2019 and 31 January 2019, the Company' share capital amounted to 94 million euros and was divided into 3,116,652,000 fully subscribed and paid-in shares with an individual par value of 0.03 euros. All shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries and listed on the four Spanish stock exchanges.

However, pursuant to Section 497 of Royal Legislative Decree 1/2010, of 2 July, approving the Revised Text of the Spanish Companies Act, Inditex has commissioned the daily share ownership notification service from Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear).

According to the Company's register of Shareholders and also pursuant to public information registered at the Spanish National Securities Market Commission (CNMV), at 31 July 2019 and 31 January 2019, the members of the Board of Directors owned, directly or indirectly, 59.364% of the Company' share capital. Pontegadea S.L owns 50.010%.

Treasury shares

The Annual General Meeting held on 19 July 2016, approved a Long-Term Incentive Plan 2016-2020 (Note 26 of the consolidated financial statements for 2018) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. In addition, on 16 July 2019 the Annual General Meeting approved a new Long-term Incentive Plan 2019-2023, also authorising the Board of Directors for the derivative acquisition of treasury shares, aimed at coverage of this plan.

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

During the first half of 2019, the Company proceeded to settle the first cycle (2016-2019) of the 2016-2020 Plan and to award shares to its beneficiaries. Accordingly, at 31 July 2019, the Company is holder of 2,125,384 treasury shares, representing 0.068% of the share capital.

Dividends

The Group´s policy involves payment of a dividend equivalent to 60% of the net profit for the year, as an ordinary dividend, and the commitment of a total bonus dividend of 1 euro per share to be paid in relation to FY2018, FY2019 and FY2020.

On 16 July 2019, the Annual General Meeting approved the distribution of a dividend charged to profits for 2018 amounting to a maximum of 2,741 million euros (0.88 euros gross per share, representing an increase of 17.3% in relation to the dividend approved in 2018, corresponding to an ordinary dividend of 0.66 euros per share and a bonus dividend of 0.22 euros per share for all the outstanding shares).

Of the aforementioned amount, a gross amount of 0.44 euros per share was paid on 2 May 2019 as an interim dividend and 0.44 euros gross per share will be paid on 4 November 2019 as a final dividend (ordinary and bonus); the total amount payable is recognised under "Trade and other payables" in the accompanying interim condensed consolidated balance sheet at 31 July 2019.

7 Income taxes

The accrued income tax expense for the first half of 2019 was calculated using the tax rate that would be applicable to expected total annual earnings, that is, the interim period income tax expense is the result of applying the estimated average annual effective tax rate to the pre-tax profit for the interim period. However, the tax effects arising from one-off events or unique transactions performed in the reporting period are taken into consideration in full in the calculation.

The income tax expense recognised in the interim condensed consolidated income statement for the period ended 31 July 2019 and 2018 was calculated by applying an effective tax rate of 21.9% and 22.6%, respectively.

Certain Group companies are being audited for tax purposes, including most notably those domiciled in Italy, Spain and the United States of America.

The Group does not expect any significant additional liabilities to arise as a result of these audits or those that could be carried out in the future in relation to periods that are not yet statute-barred.

8 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 Company in the first half of 2019 is shown in the section on related party transactions.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities and associates, 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 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, form part of the normal course of business in terms of their purpose and terms and conditions and, were eliminated in full on consolidation. 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 (group formed by the parent Tempe S.A. and its subsidiaries) in the consolidated balance sheet:

Transactions:

Type of company	1H2019	1H2018
Jointly controlled entities	(478)	(452)

Balances:

	31/07/2019	31/07/2018
Current financial investments	35	10
Trade and other receivables	14	10
Non-current financial investments	253	245
Trade and other payables	315	304
Current financial debt	1	1

The transactions with significant shareholders, members of the Board of Directors and Senior Management are detailed below.

Significant Shareholders

In the first half of 2019 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:

1H2019

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	Payments related to leases	(20)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Payments related to leases	(1)

1H2018

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	Sale of assets	1
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(22)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	1
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

Several Inditex 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 Senior Management

The amounts indicated in the following tables referring to remuneration and termination benefits are expressed in thousands of euros in both years.

In the first half of 2019 Inditex's members of the Board of Directors and Senior Management earned the following remuneration and termination benefits:

	Thousands Euros	
	Directors	Senior Management
Remuneration	2,698	9,311
Termination benefits	-	-
Total	**2,698**	**9,311**

The amounts shown in the "*Senior Management*" heading include the sum corresponding to remuneration accrued by Carlos Crespo González as Chief Operating Officer from the start of 2019 until 16 July 2019, the date on which he stepped down from his senior management duties. Likewise, the amount specified in the "Board of Directors" section includes the remuneration accrued by Carlos Crespo González in his status as a "Board member" of Inditex, from the effective date of his appointment, 16 July 2019.

The variable remuneration earned by the members of the Board of Directors and Senior Management in 2018, which was disclosed in the consolidated annual accounts for 2018, was paid in the first half of 2019.

In the first half of 2018 Inditex's members of the Board of Directors and Senior Management earned the following remuneration and termination benefits:

	Thousands Euros	
	Directors	Senior Management
Remuneration	2,640	9,097
Termination benefits	-	-
Total	**2,640**	**9,097**

Also, the variable remuneration earned by the members of the Board of Directors and Senior Management in 2017 was paid in the first half of 2018.

9 Explanation added for translation to English

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED DIRECTORS’ REPORT

FOR THE FIRST HALF OF 2019

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Interim Consolidated Directors' Report at 31 July 2019
(Amounts expressed in millions of euros)

Situation of the entity

Inditex is a global fashion group with a presence on five continents and in both the Northern and Southern hemispheres, which engages mainly in the retail of fashion, principally apparel, footwear, accessories and textile products for the home. Inditex carries out its activity through various commercial concepts such as Zara, Zara Home, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe.

Each concept´s commercial activity is carried out through a global, fully integrated store and online model managed directly by companies in which Inditex holds all or the majority of the share capital, with the exception of certain markets where, for various reasons, the retail selling activity is performed through franchises.

Inditex's business model is a flexible, integrated and customer-orientated model.

The business model encompasses all the phases of the value chain: design, manufacturing and supply, distribution, logistics and retail sales. The offer of an attractive combination of fashion at competitive prices, the constant renewal of designs and delivery to stores between twice and six times a week place the customer at the centre of the Group's strategy. The reporting of information on a daily basis from stores and online makes it possible to update collections on an ongoing basis.

The Group's logistics system facilitates continuous deliveries from the distribution centres of the various commercial concepts to stores and online throughout each season. This system essentially operates through centralised logistics centres for each concept in which inventory is stored and distributed to stores and online worldwide.

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 Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Compliance Committee and Office of the Chief Compliance Officer
- Committee of Ethics

In line with the Group's commitment and corporate strategy on sustainability, Inditex's Board of Directors resolved in the meeting held on 11 June 2019 to form a Sustainability Committee, as a new delegated committee of the Board of Directors on the matters under its remit in the social and environmental field, in the field of health and safety of the products.

Subsequently, in the meeting held on 16 July 2019, the Sustainability Committee's Regulations were approved by the Board of Directors. Pursuant to the provisions of section 9 of such Regulations, the Sustainability Committee shall be made up of a number of non-executive directors no lesser than three nor higher than seven, the majority of whom shall be independent. Its Chairman shall be appointed among the independent directors sitting on the Committee.

Business performance and results

Key financial and non-financial indicators

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

Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In March, Inditex launched online sales for Zara in Brazil. In May, Zara launched online sales in Saudi Arabia, United Arab Emirates, Lebanon, Egypt, Morocco, Indonesia, Serbia and Israel.

In addition, six of the concepts opened their global online store. Specifically, Massimo Dutti, Pull & Bear, Stradivarius, Zara Home, Oysho and Uterqüe have added more than 100 additional markets in which customers can already access their latest offers.

During 1H2019, Inditex adopted the new lease accounting standard, IFRS 16, using the modified retrospective transition method. The implementation of IFRS 16 does not affect the cash flow or business, but some lines of the income statement become non-comparable with 2018 reported figures.

In 1H2019 Inditex achieved a strong operating performance. Net sales reached €12.8 billion, 7% higher than in 1H2018. Sales in local currencies increased by 7%.

Like-for-like sales grew 5% in 1H2019 on 4% in 1H2018 and were positive across all concepts and all geographies, in both stores and online. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of first half fiscal years 2019 and 2018) and online. This represents 89% of total sales.

In 1H2019 Inditex opened stores in 31 markets. At the end of 1H2019 Inditex operated 7,420 stores. Total stores by concept is included in the table below:

Concept	31 July 2019	31 July 2018
Zara	2,123	2,109
Zara Kids	128	129
Zara Home	588	593
Pull&Bear	970	969
Massimo Dutti	754	764
Bershka	1,101	1,093
Stradivarius	999	1,007
Oysho	667	667
Uterqüe	90	91
Total	**7,420**	**7,422**

Net sales by concept are shown in the table below:

	1H2019	1H2018
Zara (Zara & Zara Home)	8,895	8,292
Pull&Bear	873	851
Massimo Dutti	844	811
Bershka	1,080	1,045
Stradivarius	776	690
Oysho	301	290
Uterqüe	52	46
Total	**12,820**	**12,025**

Inditex operates a global sales platform. Store and online sales by geographical area are shown in the table below:

Area	1H2019	1H2018
Europe ex-Spain	44.4%	44.2%
Asia & RoW	24.0%	24.5%
Spain	15.6%	16.1%
Americas	16.0%	15.2%
Total	**100.0%**	**100.0%**

The gross profit rose to €7.3 billion, 7% higher than the previous year. The gross margin reached 56.8% of sales (+12bps).

Operating expenses were tightly managed over the first half. As mentioned, Inditex started to report under the new IFRS 16 rules, which mainly changes the accounting treatment of leases. The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges, while variable rental expenses remain in the operating expenses line. Operating expenses growth was 6% excluding IFRS 16 new rules effects in 1H2019.

EBITDA in 1H2019 came to €3.4 billion vs. €2.3 billion in 1H2018. EBITDA increased 8% over 1H2018 excluding the IFRS 16 new rules effects in 1H2019.

EBIT came to €2 billion vs. €1.8 billion in 1H2018. EBIT increased 7% over 1H2018 excluding the IFRS 16 new rules effects in 1H2019.

A breakdown of financial results can be found in the table below:

	1H2019	1H2018
Net financial income (losses)	8	10
Lease financial expenses	(75)	-
Foreign exchange gains (losses)	(10)	11
Total	**(77)**	**21**

The tax rate for 1H2019 is the best estimate for FY2019 according to current information.

Net income in 1H2019 grew 10% to €1.5 billion vs. €1.4 billion in 1H2018. Net income increased 7% over 1H2018 excluding the IFRS 16 new rules effects in 1H2019.

Issues relating to sustainability and employees

During the first half of FY2019, there have been no significant events and/or changes in terms of sustainability and employees, in relation to the content of Appendix IV of the consolidated Directors' Report for the 2018 financial year that ended on 31 January 2019, which contains the "Statement on Non-Financial Information" of the Inditex Group.

During the Annual General Meeting held on 16 July 2019, Inditex announced its global sustainability strategy. Among the goals announced is the fact that by 2025 100% of the cotton, linen and polyester used in the production of garments will be sustainable or recycled. By 2023, the Company will completely dispose of single-use plastics that reach the customer and there will be no waste disposed of from any of the Group's headquarters, logistics centres or stores, as it will be used for recycling or total reuse. Likewise, 80% of the energy consumed by Inditex in all its facilities (headquarters, logistics and stores) will come from renewable sources by 2025.

In any case, the consolidated Directors' Report for FY2019, under the heading "Statement on Non-Financial Information", will contain full information on the sustainability and employee issues of the Inditex Group, referring to the current FY2019.

Liquidity and capital resources

Inditex maintained its solid financial position at the end of 1H2019:

	31 July 2019	31 July 2018
Cash & cash equivalents	4,808	4,091
Short term investments	2,006	1,899
Current financial debt	(80)	(40)
Non current financial debt	(4)	(5)
Net financial cash (debt)	**6,730**	**5,944**

Due to the strong operating performance and the healthy working capital evolution the cash position increased 13%. The operating working capital position remains negative as a result of the business model:

	31 July 2019	31 July 2018
Inventories	2,664	2,803
Receivables	841	871
Payables	(6,632)	(6,386)
Operating working capital	**(3,127)**	**(2,713)**

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 with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group has available credit lines that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

Also, commitments exist in relation to investments in future store openings in FY2019, the amount of which is included in the figure for capital expenditure detailed under "Information on the outlook for the Group".

Main risk and uncertainties

In order 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 achievement of the business objectives".

The risks reviewed are classified and grouped in the following categories:

1. Business environment

Risk 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 on its business activities.

The risks included in this category are risks relating to tax, customs, labour law, commerce and consumption-related regulations, industrial and intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk (including potential risks of perpetrating crimes related to corruption, fraud and bribery), regardless of whether or not the criminal liability of legal entities is determined and other regulatory non-compliance risk.

General Counsel´s Office – Compliance Office supervises and manages the Inditex Group's regulatory compliance system in order to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor the corporate best practices.

While there is currently some uncertainty as to the date of entry into force of Article 50 of the Treaty on the European Union, whereby the United Kingdom would leave the European Union (Brexit), and as to what future developments in this respect will be, a no-deal Brexit would mean changes in the regulatory environment in which the group operates in the United Kingdom, as well as in the trade relationship between the United Kingdom and the EU, as the latter becomes governed by the rules of the World Trade Organisation (WTO). This would mean that cross-border trade would be subject to customs controls and tariffs.

Among the main risks arising from Brexit for the Group are potential delays in the transit of goods, economic impacts arising from the imposition of tariffs and currency fluctuations, possible restrictions on the free movement of persons, as well as those arising from the contractual or management risks of key third parties. 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.

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 inappropiate 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 in social networks, and any other potential regulatory breach or good practices that might have an impact on the Organisation's reputation.

4. Human resources

The main risks relating to human resources are those arising from potential dependence on key employees and from the failure to keep an adequate work environment in all the work centres.

5. Operational

The main 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 a broad sense, both in the interaction with customers and in the improvement of operational 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 different logistics centres. Logistics distribution is complemented by other smaller logistics centres located in other countries and with third party logistics operators which 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 return thereon. In addition, the relationship with certain suppliers of goods and service providers is subject to certain risks that are not directly under our control and which could impact the normal development 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, 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 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 investment of 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 Financial Division, 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 cyber-attacks 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 the Group being inadequately managed as a result of possible non-compliance by the management team or members of the Board of Directors with existing rules, recommendations or best practices in the area of Corporate Governance, the transparency regulations of regulatory bodies or even the lack of professional ethics in their management.

Risk management at the Group is a process promoted by the Board of Directors and Senior Management and is the responsibility of all members 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 to 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 Manufacturers and Suppliers.
- Health and Safety Policy.
- Environmental Sustainability Policy.
- Information Security Policy.
- Purchasing and Contracting Policy.
- Policy on Communications and Contact with Shareholders, Institutional Investors and Proxy Advisers Communication and Relations.
- Policy and Procedure on Representatives and Attorneys.
- Policy on Human Rights.
- Diversity and Inclusion Policy
- Compliance Policy.
- Tax Strategy and the Tax Policy.
- Anti-Money Laundering and Terrorist Financing Policy.
- Conflict of Interest Policy.
- Compliance Policy regarding Personal Data Protection and Privacy.

For more details, see Section “E-Risk control systems“ of the Annual Corporate Governance Report for 2018.

Events after the reporting period

No significant events have ocurred since the reporting date.

Information on the outlook for the Group

Autumn/Winter initial collections have been well received. Store & Online sales in local currencies increased 8% between 1 August and 8 September. Management estimates like-for-like sales growth of 4%-6% in FY2019.

Ordinary capital expenditure in FY2019 will be approximately €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.

Global online

In line with the previous announcement regarding the increasing level of integration between the online operations of Zara and Zara Home, from 17 September, Zara Home collections will be available on the Zara website in the UK. This will be further rolled out across new markets progressively over the coming year.

In August, Zara launched online in Bahrain, Oman, Kuwait, Qatar and Jordan. In September/October, Zara will launch online in South Africa, Colombia, Philipines and Ukraine.

R&D+I activities

The Inditex Group generally does not carry out research and development 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 treasure shares

The Annual General Meeting held on 19 July 2016, approved a Long-Term Incentive Plan 2016-2020 (Note 26 of the consolidated financial statements for 2018) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. In addition, on 16 July 2019 the Annual General Meeting approved a new Long-term Incentive Plan 2019-2023, also authorising the Board of Directors for the derivative acquisition of treasury shares, aimed at coverage of this plan.

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

During the first half of 2019, the Company proceeded to settle the first cycle (2016-2019) of the 2016-2020 Plan and to award shares to its beneficiaries. Accordingly, at 31 July 2019, the Company holds 2,125,384 treasury shares, representing 0.068% of the share capital.

Other salient information

Stock market information

Inditex's market price stood at 27.03 euros per share at 31 July 2019, an increase of 11% since the beginning of the year, while the Ibex 35 index posted a decrease of 1% in the same period. The average daily trading volume was approximately 6.4 million shares.

Inditex's market capitalisation stood at 84,243 million euros at the end of the six-month period, up 819% on its capitalisation when its shares were admitted to trading on 23 May 2001, as compared with a 7% decrease in the Ibex 35 index in the same period.

Dividends policy

The Group´s policy involves payment of a dividend equivalent to 60% of the net profit for the year, as an ordinary dividend, and the commitment of a total bonus dividend of 1 euro per share to be paid in relation to FY2018, FY2019 and FY2020.

On 16 July 2019, the Annual General Meeting approved the distribution of a dividend charged to profits for 2018 amounting to a maximum of 2,741 million euros (0.88 euros gross per share, representing an increase of 17.3% in relation to the dividend approved in 2018, corresponding to an ordinary dividend of 0.66 euros per share and a bonus dividend of 0.22 euros per share for all the outstanding shares).

Of the aforementioned amount, a gross amount of 0.44 euros per share was paid on 2 May 2019 as an interim dividend and 0.44 euros gross per share will be paid on 4 November 2019 as a final dividend (ordinary and bonus); the total amount payable is recognised under “Trade and other payables” in the accompanying interim condensed consolidated balance sheet at 31 July 2019.

Other disclosures

Related party transactions

Related party transactions are described in Note 8 to this interim condensed consolidated financial statements. The Company did not carry out any related party transactions during the year that substantially affected its financial position or results.

Risk and uncertainties

There are no material risks or uncertainties for the second half of 2019.

Alternative performance measures

The gross profit, EBITDA, EBIT, ROE, ROCE, working capital, net financial position, store operating profit and quarterly results 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.