

ANNEX I
GENERAL

1st

HALF-YEARLY FINANCIAL REPORT FOR FINANCIAL YEAR

2018/2019

REPORTING DATE

31/07/2018

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

Explanation of the main modifications with respect to the previously released periodic information:
(complete only in the situations indicated in Section B) of the instructions)

Empty box for supplementary information.

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

<i>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.</i>
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Comments on the above statement(s):

Person(s) responsible for this information:

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

Date this half-yearly financial report was signed by the corresponding governing body: 11/09/2018
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IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros

ASSETS		CURRENT P. 31/07/2018	PREVIOUS P. 31/01/2018
A) NON-CURRENT ASSETS	0040	3.891.386	3.778.341
1. Intangible assets:	0030	119.245	104.141
a) Goodwill	0031		
b) Other intangible assets	0032	119.245	104.141
2. Property, plant and equipment	0033	464.316	404.792
3. Investment property	0034	556.878	566.462
4. Long-term investments in group companies and associates	0035	2.523.996	2.479.988
5. Long-term financial investments	0036	207.469	197.256
6. Deferred tax assets	0037	19.481	25.702
7. Other non-current assets	0038		
B) CURRENT ASSETS	0085	3.568.406	4.193.279
1. Non-current assets held for sale	0050		
2. Inventories	0055	907.360	844.815
3. Trade and other receivables:	0060	422.742	392.628
a) Trade receivables	0061	349.295	351.390
b) Other receivables	0062	69.612	41.238
c) Current tax assets	0063	3.835	
4. Short-term investments in group companies and associates	0064	1.060.563	1.082.732
5. Short-term financial investments	0070	15.897	328
6. Prepayments for current assets	0071	25.953	15.574
7. Cash and cash equivalents	0072	1.135.891	1.857.202
TOTAL ASSETS (A + B)	0100	7.459.792	7.971.620

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros

EQUITY AND LIABILITIES

		CURRENT P. 31/07/2018	PREVIOUS P. 31/01/2018
A) EQUITY (A.1 + A.2 + A.3)	0195	1.873.793	3.941.586
A.1) CAPITAL AND RESERVES	0180	1.868.409	3.954.788
1. Capital:	0171	93.500	93.500
a) Registered capital	0161	93.500	93.500
b) <i>Less: Uncalled capital</i>	0162		
2. Share premium	0172	20.379	20.379
3. Reserves	0173	1.592.890	1.543.102
4. <i>Own shares and equity holdings</i>	0174	(77.077)	(77.077)
5. Prior periods' profit and loss	0178		
6. Other shareholder contributions	0179		
7. Profit (loss) for the period	0175	238.717	2.374.884
8. <i>Less: Interim dividend</i>	0176		
9. Other equity instruments	0177		
A.2) VALUATION ADJUSTMENTS	0188	4.442	(14.219)
1. Available-for-sale financial assets	0181		
2. Hedging transactions	0182	4.442	(14.219)
3. Other	0183		
A.3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	0194	942	1.017
B) NON-CURRENT LIABILITIES	0120	715.543	788.529
1. Long-term provisions	0115	9.716	23.633
2. Long-term debts:	0116	5.033	2.416
a) Debt with financial institutions and bonds and other marketable securities	0131		
b) Other financial liabilities	0132	5.033	2.416
3. Long-term payables to group companies and associates	0117	5.881	5.912
4. Deferred tax liabilities	0118	15.443	15.443
5. Other non-current liabilities	0135		
6. Long-term accrual accounts	0119	679.470	741.125
C) CURRENT LIABILITIES	0130	4.870.456	3.241.505
1. Liabilities associated with non-current assets held for sale	0121		
2. Short-term provisions	0122		
3. Short-term debts:	0123	42.974	96.520
a) Bank borrowings and bonds and other negotiable securities	0133		
b) Other financial liabilities	0134	42.974	96.520
4. Short-term payables to group companies and associates	0129	1.900.785	1.518.454
5. Trade and other payables:	0124	2.804.015	1.503.849
a) Suppliers	0125	2.622.441	1.338.186
b) Other payables	0126	181.498	164.701
c) Current tax liabilities	0127	76	962
6. Other current liabilities	0136		
7. Current accrual accounts	0128	122.682	122.682
TOTAL EQUITY AND LIABILITIES (A + B + C)	0200	7.459.792	7.971.620

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 31/07/2018		PREVIOUS CUMULATIVE 31/07/2017	
		Amount	%	Amount	%	Amount	%	Amount	%
(+) Revenue	0205					4.024.196	100,00	4.004.951	100,00
(+/-) Change in inventories of finished products and work in progress	0206					0		104.747	2,62
(+) Own work capitalised	0207					3.219	0,08	1.423	0,04
(-) Supplies	0208					(3.022.989)	(75,12)	(3.095.457)	(77,29)
(+) Other operating revenue	0209					111.643	2,77	108.690	2,71
(-) Personnel expenses	0217					(139.797)	(3,47)	(98.924)	(2,47)
(-) Other operating expenses	0210					(648.996)	(16,13)	(552.734)	(13,80)
(-) Depreciation and amortisation charge	0211					(42.975)	(1,07)	(38.918)	(0,97)
(+) Allocation of grants for non-financial assets and other grants	0212								
(+) Reversal of provisions	0213					841	0,02		
(+/-) Impairment and gain (loss) on disposal of fixed assets	0214					(2.461)	(0,06)		
(+/-) Other profit (loss)	0215							(221)	(0,01)
= OPERATING PROFIT (LOSS)	0245					282.680	7,02	433.557	10,83
(+) Finance income	0250					2.068	0,05	2.908	0,07
(-) Finance costs	0251					(1.115)	(0,03)	(913)	(0,02)
(+/-) Changes in fair value of financial instruments	0252							(1.541)	(0,04)
(+/-) Exchange differences	0254					(754)	(0,02)	(4.009)	(0,10)
(+/-) Impairment and gain (loss) on disposal of financial instruments	0255								
= NET FINANCE INCOME (COSTS)	0256					199		(3.555)	(0,09)
= PROFIT (LOSS) BEFORE TAX	0265					282.879	7,03	430.002	10,74
(+/-) Income tax expense	0270					(44.163)	(1,10)	(74.772)	(1,87)
= PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	0280					238.717	5,93	355.230	8,87
Profit (loss) from discontinued (+/-) operations, net of tax	0285								
= PROFIT (LOSS) FOR THE PERIOD	0300					238.717	5,93	355.230	8,87
EARNINGS PER SHARE		Amount (X.XX euros)		Amount (X.XX euros)		Amount (X.XX euros)		Amount (X.XX euros)	
Basic	0290					0,08		0,11	
Diluted	0295					0,08		0,11	

In the half-yearly financial report for the first half of the year, the data relating to the present period match the cumulative data, which do not therefore need to be completed.

IV. SELECTED FINANCIAL INFORMATION
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
INDIVIDUAL STATEMENT OF RECOGNISED INCOME AND EXPENSE (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
A) PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	0305	238.717	355.230
B) INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	0310	4.442	(40.802)
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	5.923	(54.403)
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	(1.481)	13.601
C) TRANSFERS TO PROFIT OR LOSS	0350	14.144	(3.435)
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	18.959	(4.480)
3 Grants, donations and bequests received	0366	(75)	(75)
4 Other income and expense recognised directly in equity	0365		
5 Tax effect	0370	(4.740)	1.120
TOTAL RECOGNISED INCOME/(EXPENSE) (A + B + C)	0400	257.303	310.993

IV. SELECTED FINANCIAL INFORMATION
4. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY (1/2)
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 (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/02/2018	3010	93.500	1.563.481	(77.077)	2.374.884		(14.219)	1.017	3.941.586
Adjustments for changes in accounting policy	3011								
Adjustment for errors	3012								
Adjusted opening balance	3015	93.500	1.563.481	(77.077)	2.374.884		(14.219)	1.017	3.941.586
I. Total recognised income/(expense)	3020				238.717		18.661	(75)	257.303
II. Transactions with shareholders or owners	3025				(2.335.276)				(2.335.276)
1. Capital increases/ (reductions)	3026								
2. Conversion of financial liabilities into equity	3027								
3. Distribution of dividends	3028				(2.335.276)				(2.335.276)
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		49.788		(39.608)				10.181
1. Equity-settled share-based payment	3036								
2. Transfers between equity accounts	3037		39.608		(39.608)				0
3. Other changes	3038		10.181						10.181
Closing balance at 31/07/2018	3040	93.500	1.613.269	(77.077)	238.717		4.442	942	1.873.793

(1) The column of **Share premium and Reserves**, for the purposes of completing this statement, includes the following balance sheet equity headings: 2. Share premium, 3. Reserves, 5. Profit or loss brought forward, 6. Other shareholder contributions and 8. Less: *Interim dividend*.

IV. SELECTED FINANCIAL INFORMATION
4. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY (2/2)
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 (1)	Treasury stock	Profit (loss) for the period	Other equity instruments			
Closing balance at 01/02/2017 (comparative period)	3050	93.500	1.471.061	(87.111)	2.215.725		3.361	1.130	3.697.666
Adjustments for changes in accounting policy	3051								
Adjustment for errors	3052								
Adjusted opening balance (comparative period)	3055	93.500	1.471.061	(87.111)	2.215.725		3.361	1.130	3.697.666
I. Total recognised income/(expense)	3060				355.230		(44.162)	(75)	310.993
II. Transactions with shareholders or owners	3065			(12.035)	(2.116.734)				(2.128.769)
1. Capital increases/ (reductions)	3066								
2. Conversion of financial liabilities into equity	3067								
3. Distribution of dividends	3068				(2.116.734)				(2.116.734)
4. Net trading with treasury stock	3069			(12.035)					(12.035)
5. Increases/ (reductions) for business combinations	3070								
6. Other transactions with shareholders or owners	3072								
III. Other changes in equity	3075		68.163	22.075	(98.991)				(8.753)
1. Equity-settled share-based payment	3076		(30.828)	22.075					(8.753)
2. Transfers between equity accounts	3077		98.991		(98.991)				0
3. Other changes	3078								
Closing balance at 31/07/2017 (comparative period)	3080	93.500	1.539.224	(77.071)	355.230		(40.801)	1.055	1.871.137

(1) The column of Share premium and Reserves, for the purposes of completing this statement, includes the following balance sheet equity headings: 2. Share premium, 3. Reserves, 5. Profit or loss brought forward, 6. Other shareholder contributions and 8. Less: Interim dividend.

IV. SELECTED FINANCIAL INFORMATION			
5. INDIVIDUAL STATEMENT OF CASH FLOWS (PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)			
Units: Thousand euros			
		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
A)	CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	173.199	55.373
1	Profit (loss) before tax	282.879	430.002
2	Adjustments to profit (loss):	(151.518)	(134.523)
(+)	Depreciation and amortisation charge	42.975	38.915
(-/-)	Other net adjustments to profit (loss)	(194.493)	(173.438)
3	Changes in working capital	(74.891)	(302.333)
4	Other cash flows from operating activities:	116.729	62.227
(-)	Interest paid	(1.151)	(1.023)
(+)	Dividends received	155.393	141.615
(+)	Interest received	2.068	6.618
(+/-)	Income tax recovered/(paid)	(39.580)	(84.983)
(+/-)	Other sums received/(paid) from operating activities		
B)	CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(152.608)	68.243
1	Payments for investments:	(194.605)	(89.502)
(-)	Group companies, associates and business units	(44.008)	(20.358)
(-)	Property, plant and equipment, intangible assets and investment property	(150.597)	(68.492)
(-)	Other financial assets		(652)
(-)	Other assets		
2	Proceeds from sale of investments	41.997	157.745
(+)	Group companies, associates and business units	34.901	157.745
(+)	Property, plant and equipment, intangible assets and investment property	5.159	
(+)	Other financial assets	1.937	
(+)	Other assets		
C)	CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3)	(741.903)	(756.440)
1	Sums received/(paid) in respect of equity instruments		(14.754)
(+)	Issuance		
(-)	Redemption		
(-)	Acquisition		(12.035)
(+)	Disposal		(2.719)
(+)	Grants, donations and bequests received		
2	Sums received/(paid) in respect of financial liability instruments:	425.736	316.614
(+)	Issuance	425.822	351.110
(-)	Repayment and redemption	(86)	(34.496)
3	Payment of dividends and remuneration on other equity instruments	(1.167.638)	(1.058.300)
D)	EFFECT OF FOREIGN EXCHANGE RATE CHANGES		
E)	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(721.311)	(632.824)
F)	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1.857.202	2.049.211
G)	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	1.135.891	1.416.387
		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
(+)	Cash on hand and at banks	1.132.504	1.413.000
(+)	Other financial assets	3.387	3.387
(-)	Less: Bank overdrafts repayable on demand		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1.135.891	1.416.387

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros

ASSETS		CURRENT P. 31/07/2018	PREVIOUS P. 31/01/2018
A) NON-CURRENT ASSETS	1040	10.670.001	10.083.847
1. Intangible assets:	1030	984.074	919.185
a) Goodwill	1031	206.239	207.157
b) Other intangible assets	1032	777.835	712.028
2. Property, plant and equipment	1033	8.095.848	7.643.556
3. Investment property	1034	20.481	20.865
4. Investments accounted for using the equity method	1035	224.968	213.261
5. Non-current financial assets	1036	22.504	23.264
6. Deferred tax assets	1037	751.169	743.905
7. Other non-current assets	1038	570.957	519.811
B) CURRENT ASSETS	1085	9.984.234	10.147.458
1. Non-current assets held for sale	1050		
2. Inventories	1055	2.802.546	2.684.760
3. Trade and other receivables:	1060	966.082	887.578
a) Trade receivables	1061	870.747	777.570
b) Other receivables	1062		
c) Current tax assets	1063	95.335	110.008
4. Other current financial assets	1070	1.920.185	1.484.948
5. Other current assets	1075	204.780	159.504
6. Cash and cash equivalents	1072	4.090.641	4.930.668
TOTAL ASSETS (A + B)	1100	20.654.235	20.231.305

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros

EQUITY AND LIABILITIES		CURRENT P.	PREVIOUS P.
		31/07/2018	31/01/2018
A) EQUITY (A.1 + A.2 + A.3)	1195	12.631.905	13.522.525
A.1) CAPITAL AND RESERVES	1180	13.094.215	14.056.225
1. Capital	1171	93.500	93.500
a) Registered capital	1161	93.500	93.500
b) <i>Less: Uncalled capital</i>	1162		
2. Share premium	1172	20.379	20.379
3. Reserves	1173	11.648.736	10.651.803
4. <i>Own shares and equity holdings</i>	1174	(77.077)	(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	1.408.677	3.367.620
8. <i>Less: Interim dividend</i>	1176		
9. Other equity instruments	1177		
A.2) ACCUMULATED OTHER COMPREHENSIVE INCOME	1188	(490.432)	(559.036)
1. Items that are not reclassified to profit or loss	1186		
2. Items that may subsequently be reclassified to profit or loss	1187	(490.432)	(559.036)
a) Available-for-sale financial assets	1181		
b) Hedging transactions	1182	10.444	(25.577)
c) Translation differences	1184	(500.876)	(533.459)
d) Other	1183		
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY (A.1 + A.2)	1189	12.603.783	13.497.189
A.3) NON-CONTROLLING INTERESTS	1193	28.122	25.336
B) NON-CURRENT LIABILITIES	1120	1.563.564	1.535.599
1. Grants	1117		
2. Long-term provisions	1115	217.118	258.834
3. Long-term financial liabilities:	1116	5.357	3.560
a) Debt with financial institutions and bonds and other marketable securities	1131	5.357	3.560
b) Other financial liabilities	1132		
4. Deferred tax liabilities	1118	284.253	267.732
5. Other non-current liabilities	1135	1.056.836	1.005.473
C) CURRENT LIABILITIES	1130	6.458.766	5.173.181
1. Liabilities associated with non-current assets held for sale	1121		
2. Short-term provisions	1122		
3. Short-term financial liabilities:	1123	72.477	116.563
a) Debt with financial institutions and bonds and other marketable securities	1133	40.118	11.982
b) Other financial liabilities	1134	32.359	104.581
4. Trade and other payables:	1124	6.386.289	5.056.618
a) Suppliers	1125	6.197.884	4.905.505
b) Other payables	1126		
c) Current tax liabilities	1127	188.405	151.113
5. Other current liabilities	1136		
TOTAL EQUITY AND LIABILITIES (A + B + C)	1200	20.654.235	20.231.305

IV. SELECTED FINANCIAL INFORMATION

7. CONSOLIDATED PROFIT AND LOSS ACCOUNT (ADOPTED IFRS)

Units: Thousand euros

		PRESENT CURR. PERIOD (2nd HALF YEAR)		PREVIOUS CURR. PERIOD (2nd HALF YEAR)		CURRENT CUMULATIVE 31/07/2018		PREVIOUS CUMULATIVE 31/07/2017	
		Amount	%	Amount	%	Amount	%	Amount	%
(+) Revenue	1205					12.025.489	100,00	11.671.499	100,00
(+/-) Change in inventories of finished products and work in progress	1206					117.686	0,98	195.330	1,67
(+) Own work capitalised	1207								
(-) Supplies	1208					(5.325.763)	(44,29)	(5.284.851)	(45,28)
(+) Other operating revenue	1209								
(-) Personnel expenses	1217					(2.002.780)	(16,65)	(1.862.407)	(15,96)
(-) Other operating expenses	1210					(2.456.411)	(20,43)	(2.411.723)	(20,66)
(-) Depreciation and amortisation charge	1211					(617.327)	(5,13)	(523.985)	(4,49)
(+) Allocation of grants for non-financial assets and other grants	1212								
(+/-) Impairment and gain (loss) on disposal of fixed assets	1214					58.592	0,49	(23.949)	(0,21)
(+/-) Other profit (loss)	1215					(15.329)	(0,13)	(15.609)	(0,13)
= OPERATING PROFIT (LOSS)	1245					1.784.157	14,84	1.744.305	14,94
(+) Finance income	1250					13.461	0,11	12.652	0,11
(-) Finance costs	1251					(3.304)	(0,03)	(6.549)	(0,06)
(+/-) Changes in fair value of financial instruments	1252								
(+/-) Exchange differences	1254					11.151	0,09	(7.561)	(0,06)
(+/-) Impairment and gain (loss) on disposal of financial instruments	1255								
= NET FINANCE INCOME (COSTS)	1256					21.308	0,18	(1.458)	(0,01)
(+/-) Profit (loss) of equity-accounted investees	1253					18.002	0,15	20.339	0,17
= PROFIT (LOSS) BEFORE TAX	1265					1.823.467	15,16	1.763.186	15,11
(+/-) Income tax expense	1270					(412.651)	(3,43)	(396.716)	(3,40)
= PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES	1280					1.410.816	11,73	1.366.470	11,71
(+/-) Profit (loss) from discontinued operations, net of tax	1285								
= CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	1288					1.410.816	11,73	1.366.470	11,71
A) Profit (loss) for the period attributable to the parent company	1300					1.408.677	11,71	1.366.015	11,70
B) Profit (loss) attributable to non-controlling interests	1289					2.139	0,02	455	0,00
EARNINGS PER SHARE									
		Amount	(XXX euros)	Amount	(XXX euros)	Amount	(XXX euros)	Amount	(XXX euros)
Basic	1290					0,45		0,44	
Diluted	1295					0,45		0,44	

In the half-yearly financial report for the first half of the year, the data relating to the present period match the cumulative data, which do not therefore need to be completed.

IV. SELECTED FINANCIAL INFORMATION			
8. CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (ADOPTED IFRS)			
Units: Thousand euros			
		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
A) CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD (from the profit and loss account)	1305	1.410.816	1.366.470
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 Other income and expenses that are not reclassified to profit or loss	1343		
5 Tax effect	1345		
C) OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS:	1350	20.143	(325.475)
1. Available-for-sale financial assets:	1355		
a) Valuation gains/(losses) taken to equity	1356		
b) Amounts transferred to profit or loss	1357		
c) Other reclassifications	1358		
2. Cash flow hedges:	1360	37.784	(124.635)
a) Valuation gains/(losses) taken to equity	1361	12.406	(107.320)
b) Amounts transferred to profit or loss	1362	25.378	(17.315)
c) Amounts transferred at initial carrying amount of hedged items	1363		
d) Other reclassifications	1364		
3. Foreign currency translation:	1365	(15.878)	(221.287)
a) Valuation gains/(losses)	1366	(15.878)	(221.287)
b) Amounts transferred to profit or loss	1367		
c) Other reclassifications	1368		
4. Share in other comprehensive income of investments in joint ventures and associates:	1370		
a) Valuation gains/(losses) taken to equity	1371		
b) Amounts transferred to profit or loss	1372		
c) Other reclassifications	1373		
5. Other income and expenses that may subsequently be reclassified to profit or loss	1375		
a) Valuation gains/(losses) taken to equity	1376		
b) Amounts transferred to profit or loss	1377		
c) Other reclassifications	1378		
6 Tax effect	1380	(1.763)	20.447
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (A + B + C)	1400	1.430.959	1.040.995
a) Attributable to the parent company	1398	1.428.820	1.040.540
b) Attributable to non-controlling interests	1399	2.139	455

IV. SELECTED FINANCIAL INFORMATION

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

Units: Thousand euros

CURRENT PERIOD		Equity attributable to the parent company					Non-controlling interests	Total equity
		Capital and reserves				Valuation adjustments		
		Capital	Share premium and Reserves (1)	Treasury stock	Profit (loss) for the period attributable to the parent company			
Closing balance at 01/02/2018	3110	93.500	10.672.182	(77.077)	3.367.620	(559.036)	25.336	13.522.525
Adjustments for changes in accounting policy	3111							
Adjustment for errors	3112							
Adjusted opening balance	3115	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	3120				1.408.677	20.143	2.139	1.430.959
II. Transactions with shareholders or owners	3125				(2.335.276)			(2.335.276)
1. Capital increases/ (reductions)	3126							
2. Conversion of financial liabilities into equity	3127							
3. Distribution of dividends	3128				(2.335.276)			(2.335.276)
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		996.933		(1.032.344)	48.461	647	13.697
1. Equity-settled share-based payment	3136		20.516					20.516
2. Transfers among components of equity	3137		983.883		(1.032.344)	48.461		
3. Other changes	3138		(7.466)				647	(6.819)
Closing balance at 31/07/2018	3140	93.500	11.669.115	(77.077)	1.408.677	(490.432)	28.122	12.631.905

(1) The column of Share premium and Reserves, for the purposes of completing this statement, includes the following balance sheet equity headings: 2. Share premium, 3. Reserves, 5. Profit or loss brought forward, 6. Other shareholder contributions and 8. Less: Interim dividend

IV. SELECTED FINANCIAL INFORMATION
9. 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 (1)	Treasury stock	Profit (loss) for the period attributable to the parent company		Other equity instruments		
Closing balance at 01/02/2017	3150	93.500	9.775.309	(87.111)	3.156.957		(225.274)	38.174	12.751.555
Adjustments for changes in accounting policy	3151								
Adjustment for errors	3152								
Adjusted opening balance	3153	93.500	9.775.309	(87.111)	3.156.957		(225.274)	38.174	12.751.555
I. Total comprehensive income/(expense) for the period	3160				1.366.015		(325.475)	455	1.040.995
II. Transactions with shareholders or owners	3165		(13.926)	(12.035)	(2.116.734)			(15.075)	(2.157.770)
1. Capital increases/ (reductions)	3164								
2. Conversion of financial liabilities into equity	3167								
3. Distribution of dividends	3168				(2.116.734)			(9.800)	(2.126.534)
4. Purchase / sale of treasury stock	3169			(12.035)					(12.035)
5. Equity increase/ (decrease) resulting from business combinations	3170								
6. Other transactions with shareholders or owners	3172		(13.926)					(5.275)	(19.201)
III. Other changes in equity	3175		965.177	22.074	(1.040.223)		29.383	(941)	(24.530)
1. Equity-settled share-based payment	3174		(25.469)	22.074					(3.395)
2. Transfers among components of equity	3177		1.010.840		(1.040.223)		29.383		
3. Other changes	3178		(20.194)					(941)	(21.135)
Closing balance at 31/07/2017	3180	93.500	10.726.560	(77.072)	1.366.015		(521.366)	22.613	11.610.250

(1) The column of Share premium and Reserves, for the purposes of completing this statement, includes the following balance sheet equity headings: 2. Share premium, 3. Reserves, 5. Profit or loss brought forward, 6. Other shareholder contributions and 8. Less: Interim dividend

IV. SELECTED FINANCIAL INFORMATION
10.A. CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD) (ADOPTED IFRS)

Units: Thousand euros

		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	1435	1.526.205	1.391.291
1. Profit (loss) before tax	1405	1.823.467	1.763.186
2. Adjustments to profit (loss):	1410	493.325	584.907
(+) Depreciation and amortisation charge	1411	558.735	547.934
(+/-) Other net adjustments to profit (loss)	1412	(65.410)	36.973
3. Changes in working capital	1415	(412.130)	(592.657)
4. Other cash flows from operating activities:	1420	(378.457)	(364.145)
(-) Interest paid	1421		
(-) Payment of dividends and remuneration on other equity instruments	1430		
(+) Dividends received	1422		
(+) Interest received	1423		
(+/-) Income tax recovered/(paid)	1424	(378.457)	(364.145)
(+/-) Other sums received/(paid) from operating activities	1425		
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)	1460	(1.258.008)	(538.257)
1. Payments for investments:	1440	(1.301.348)	(863.983)
(-) Group companies, associates and business units	1441		(29.900)
(-) Property, plant and equipment, intangible assets and investment property	1442	(872.842)	(824.480)
(-) Other financial assets	1443	(1.610)	
(-) Other assets	1444	(426.896)	(9.603)
2. Proceeds from sale of investments	1450	43.340	325.726
(+) Group companies, associates and business units	1451		
(+) Property, plant and equipment, intangible assets and investment property	1452	24.205	
(+) Other financial assets	1453		148
(+) Other assets	1454	19.135	325.578
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	(1.134.452)	(1.064.319)
1. Sums received/(paid) in respect of equity instruments	1470		(12.035)
(+) Issuance	1471		
(-) Redemption	1472		
(-) Acquisition	1473		(12.035)
(+) Disposal	1474		
2. Sums received/(paid) in respect of financial liability instruments:	1480	33.187	15.816
(+) Issuance	1481	33.801	18.784
(-) Repayment and redemption	1482	(614)	(2.968)
3. Payment of dividends and remuneration on other equity instruments	1485	(1.167.639)	(1.068.100)
4. Other cash flows from financing activities	1486		
(-) Interest paid	1487		
(+/-) Other sums received/(paid) from financing activities	1488		
D) EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH HELD	1492	26.228	(92.044)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	1495	(840.027)	(303.329)
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1499	4.930.668	4.115.912
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	1500	4.090.641	3.812.583

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
(+) Cash on hand and at banks	1550	2.436.721	2.352.630
(+) Other financial assets	1552	1.653.920	1.459.953
(-) Less: Bank overdrafts repayable on demand	1553		
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1600	4.090.641	3.812.583

This template of the consolidated statement of cash flows (indirect method) allows the alternatives for classifying interest and dividends, both received and paid, provided for in the adopted IFRS. Each of the above items shall be classified in a single consistent manner, in each period, as operating, investing or financing activities.

IV. SELECTED FINANCIAL INFORMATION			
10.B. CONSOLIDATED STATEMENT OF CASH FLOWS (DIRECT METHOD) (ADOPTED IFRS)			
Units: Thousand euros			
		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
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	
		8460	
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2 + 3)		8440	
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	
		8490	
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2 + 3 + 4)		8470	
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	
		8492	
D) EFFECT OF FOREIGN EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS HELD		8495	
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		8499	
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		8500	
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)			

COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
		CURRENT PERIOD 31/07/2018	PREVIOUS PERIOD 31/07/2017
(+) 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	

This template of the consolidated statement of cash flows (direct method) allows the alternatives for classifying interest and dividends, both received and paid, provided for in the adopted IFRS. Each of the above items shall be classified in a single consistent manner, in each period, as operating, investing or financing activities.

IV. SELECTED FINANCIAL INFORMATION
11. CHANGES IN THE COMPOSITION OF THE GROUP

Table 1:

BUSINESS COMBINATIONS AND OTHER ACQUISITIONS OR INCREASES IN HOLDINGS IN SUBSIDIARIES, JOINT VENTURES AND/OR INVESTMENTS IN ASSOCIATES (CURRENT PERIOD).						
Name of company (or business line) acquired or merged	Category	Effective date of transaction (dd/mm/yy yy)	(Net) cost of the combination (a) + (b) (thousand euros)		% of voting rights acquired	% of total voting rights in the company after acquisition
			(Net) amount paid in the acquisition + other costs directly attributable to the combination (a)	Fair value of equity instruments issued for the acquisition of the company (b)		

Table 2:

REDUCTION IN HOLDINGS IN SUBSIDIARIES, JOINT VENTURES AND/OR INVESTMENTS IN ASSOCIATES OR OTHER TRANSACTIONS OF A SIMILAR NATURE (CURRENT PERIOD)					
Name of company (or business line) sold, spun off or retired	Category	Effective date of transaction (dd/mm/yy yy)	% of voting rights sold or retired	% of total voting rights in the company after disposal	Profit/(Loss) generated (thousand euros)

IV. SELECTED FINANCIAL INFORMATION

12. DIVIDENDS PAID

		CURRENT PERIOD			PREVIOUS PERIOD		
		% of nominal value	Euros per share (X.XX)	Amount (thousand euros)	% of nominal value	Euros per share (X.XX)	Amount (thousand euros)
Ordinary shares	2158	1.250,00	0,38	1.167.638	1.113,00	0,34	1.058.300
Other shares (non-voting shares, redeemable)	2159						
Total dividends paid	2160			1.167.638			1.058.300
a) Dividends charged to profit and loss	2155			1.167.638			1.058.300
b) Dividends charged to reserves premium or	2156						
c) Dividends in kind	2157						

IV. SELECTED FINANCIAL INFORMATION

13. BREAKDOWN OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY (1/2)

Units: Thousand euros

FINANCIAL ASSETS: NATURE/CATEGORY		CURRENT PERIOD				
		Financial assets held for trading	Other financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Equity instruments	2061					
Debt securities	2062					
Derivatives	2063					
Other financial assets	2064					
Long-term/non-current	2065					
Equity instruments	2066					
Debt securities	2067					
Derivatives	2068					
Other financial assets	2069					
Short-term/current	2070					
INDIVIDUAL TOTAL	2075					
Equity instruments	2161					
Debt securities	2162					
Derivatives	2163					
Other financial assets	2164					
Long-term/non-current	2165					
Equity instruments	2166					
Debt securities	2167					
Derivatives	2168					
Other financial assets	2169					
Short-term/current	2170					
CONSOLIDATED TOTAL	2175					

FINANCIAL LIABILITIES: NATURE/CATEGORY		CURRENT PERIOD			
		Financial liabilities held for trading	Other financial liabilities at FVTPL	Debts and payables	Hedging derivatives
Bank borrowings	2076				
Bonds and other negotiable securities	2077				
Derivatives	2078				
Other financial liabilities	2079				
Long-term debts/Non-current financial liabilities	2080				
Bank borrowings	2081				
Bonds and other marketable securities	2082				
Derivatives	2083				
Other financial liabilities	2084				
Short-term debts/Current financial liabilities	2085				
INDIVIDUAL TOTAL	2090				
Bank borrowings	2176				
Bonds and other negotiable securities	2177				
Derivatives	2178				
Other financial liabilities	2179				
Long-term debts/Non-current financial liabilities	2180				
Bank borrowings	2181				
Bonds and other negotiable securities	2182				
Derivatives	2183				
Other financial liabilities	2184				
Short-term debts/Current financial liabilities	2185				
CONSOLIDATED TOTAL	2190				

(FVTPL: fair value through profit or loss)

IV. SELECTED FINANCIAL INFORMATION

13. BREAKDOWN OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY (2/2)

Units: Thousand euros

FINANCIAL ASSETS: NATURE/CATEGORY		PREVIOUS PERIOD				
		Financial assets held for trading	Other financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Equity instruments	5061					
Debt securities	5062					
Derivatives	5063					
Other financial assets	5064					
Long-term/non-current	5065					
Equity instruments	5066					
Debt securities	5067					
Derivatives	5068					
Other financial assets	5069					
Short-term/current	5070					
INDIVIDUAL TOTAL	5075					
Equity instruments	5161					
Debt securities	5162					
Derivatives	5163					
Other financial assets	5164					
Long-term/non-current	5165					
Equity instruments	5166					
Debt securities	5167					
Derivatives	5168					
Other financial assets	5169					
Short-term/current	5170					
CONSOLIDATED TOTAL	5175					

FINANCIAL LIABILITIES: NATURE/CATEGORY		PREVIOUS PERIOD			
		Financial liabilities held for trading	Other financial liabilities at FVTPL	Debts and payables	Hedging derivatives
Bank borrowings	5076				
Bonds and other negotiable securities	5077				
Derivatives	5078				
Other financial liabilities	5079				
Long-term debts/Non-current financial liabilities	5080				
Bank borrowings	5081				
Bonds and other marketable securities	5082				
Derivatives	5083				
Other financial liabilities	5084				
Short-term debts/Current financial liabilities	5085				
INDIVIDUAL TOTAL	5090				
Bank borrowings	5176				
Bonds and other negotiable securities	5177				
Derivatives	5178				
Other financial liabilities	5179				
Long-term debts/Non-current financial liabilities	5180				
Bank borrowings	5181				
Bonds and other negotiable securities	5182				
Derivatives	5183				
Other financial liabilities	5184				
Short-term debts/Current financial liabilities	5185				
CONSOLIDATED TOTAL	5190				

(FVTPL: fair value through profit or loss)

IV. SELECTED FINANCIAL INFORMATION

14. SEGMENT INFORMATION

Units: Thousand euros

Table 1:

GEOGRAPHIC AREA		Distribution of revenue by geographic area			
		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Domestic market	2210	692.461	754.412	2.083.281	2.026.471
Exports:	2215	3.331.735	3.250.539	9.942.208	9.645.028
a) European Union	2216	1.434.065	1.305.140	4.461.826	4.194.190
b) OECD countries	2217	788.742	803.586	2.498.983	2.501.885
c) Other countries	2218	1.108.927	1.141.813	2.981.399	2.948.954
TOTAL	2220	4.024.196	4.004.951	12.025.489	11.671.499

Table 2:

SEGMENTS		Ordinary revenue					
		CONSOLIDATED					
		Ordinary revenue from foreign customers		Ordinary revenue between segments		Total ordinary revenue	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
ZARA	2221	7.909.535	7.736.691	56.226	49.326	7.965.761	7.786.017
BERSHKA	2222	1.044.901	1.015.662	382	138	1.045.283	1.015.800
OTHER	2223	3.071.053	2.919.146	895	945	3.071.948	2.920.091
	2224						
	2225						
	2226						
	2227						
	2228						
	2229						
	2230						
(-) Adjustments and elimination of ordinary revenue between segments	2231			(57.503)	(50.409)	(57.503)	(50.409)
TOTAL	2235	12.025.489	11.671.499			12.025.489	11.671.499

Table 3:

SEGMENTS		Profit (loss)	
		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD
ZARA	2250	1.249.591	1.236.314
BERSHKA	2251	145.289	148.653
OTHER	2252	388.948	363.947
	2253		
	2254		
	2255		
	2256		
	2257		
	2258		
	2259		
Total profit (loss) of segments reported	2260	1.783.828	1.748.914
(+/-) Unallocated profit (loss)	2261		
(+/-) Elimination of internal profit (loss) (between segments)	2262	329	(4.609)
(+/-) Other profit (loss)	2263	39.310	18.881
(+/-) Income tax and/or profit (loss) from discontinued activities	2264		
PROFIT (LOSS) BEFORE TAX	2270	1.823.467	1.763.186

IV. SELECTED FINANCIAL INFORMATION
15. AVERAGE WORKFORCE

		INDIVIDUAL		CONSOLIDATED	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
AVERAGE WORKFORCE	2295	1.973	1.694	165.304	161.793
Men	2296	858	730	40.819	39.586
Women	2297	1.115	964	124.485	122.207

IV. SELECTED FINANCIAL INFORMATION
16. REMUNERATION RECEIVED BY DIRECTORS AND MANAGING DIRECTORS

DIRECTORS:

Type of remuneration:		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Fixed remuneration	2310	2.640	2.640
Variable remuneration	2311		
Attendance fees	2312		
Directors' fees	2313		
Options on shares and/or other financial instruments	2314		4.120
Other	2315		
TOTAL	2320	2.640	6.760

Other benefits:

Advances	2326		
Loans granted	2327		
Pension funds and plans: Contributions	2328		
Pension funds and plans: Contracted obligations	2329		
Life insurance premiums	2330		
Guarantees granted to directors	2331		

MANAGING DIRECTORS:

		Amount (thousand euros)	
		CURRENT PERIOD	PREVIOUS PERIOD
Total remuneration paid to managing directors	2325	9.097	17.452

IV. SELECTED FINANCIAL INFORMATION

17. RELATED-PARTY TRANSACTIONS (1/2)

Units: Thousand euros

RELATED-PARTY TRANSACTIONS		CURRENT PERIOD				
		Significant shareholders	Directors and managing directors	Group employees, companies and entities	Other related parties	Total
EXPENSES AND REVENUE						
1) Finance costs	2340					
2) Management and cooperation contracts	2341					
3) R&D transfers and licence	2342					
4) Leases	2343	22.522				22.522
5) Receipt of services	2344					
6) Purchase of goods (finished or in progress)	2345			452.456		452.456
7) Allowance for bad and doubtful debts	2346					
8) Losses on retirement or disposal of assets	2347					
9) Other expenses	2348	50				50
EXPENSES (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	2350	22.572		452.456		475.028
10) Finance income	2351					
11) Management and cooperation contracts	2352					
12) R&D transfers and licence agreements	2353					
13) Dividends received	2354					
14) Leases	2355					
15) Provision of services	2356	1.449				1.449
16) Sale of goods (finished or in progress)	2357	17				17
17) Gains on retirement or disposal of assets	2358	1.100				1.100
18) Other revenue	2359					
REVENUE (10 + 11 + 12 + 13 + 14 + 15 + 16 + 17 + 18)	2360	2.566				2.566

OTHER TRANSACTIONS:		CURRENT PERIOD				
		Significant shareholders	Directors and managing directors	Group employees, companies and entities	Other related parties	Total
Purchase of property, plant and equipment, intangible assets and other assets	2371					
Financing agreements: loans and capital contributions (lender)	2372					
Finance lease arrangements (lessor)	2373					
Repayment or cancellation of loans and lease arrangements (lessor)	2377					
Sale of property, plant and equipment, intangible assets and other assets	2374					
Financing agreements: loans and capital contributions (borrower)	2375					
Finance lease arrangements (lessee)	2376					
Repayment or cancellation of loans and lease arrangements (lessee)	2378					
Collateral and guarantees given	2381					
Collateral and guarantees received	2382					
Commitments assumed	2383					
Commitment/Guarantees cancelled	2384					
Dividends and other earnings distributed	2386					
Other transactions	2385					

IV. SELECTED FINANCIAL INFORMATION

17. RELATED-PARTY TRANSACTIONS (2/2)

Units: Thousand euros

RELATED-PARTY TRANSACTIONS		PREVIOUS PERIOD				
		Significant shareholders	Directors and managing directors	Group employees, companies and entities	Other related parties	Total
EXPENSES AND REVENUE						
1) Finance costs	6340					
2) Management and cooperation contracts	6341					
3) R&D transfers and licence	6342					
4) Leases	6343	21.975				21.975
5) Receipt of services	6344					
6) Purchase of goods (finished or in progress)	6345			439.097		439.097
7) Allowance for bad and doubtful debts	6346					
8) Losses on retirement or disposal of assets	6347					
9) Other expenses	6348	63				63
EXPENSES (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	6350	22.038		439.097		461.135
10) Finance income	6351					
11) Management and cooperation contracts	6352					
12) R&D transfers and licence agreements	6353					
13) Dividends received	6354					
14) Leases	6355					
15) Provision of services	6356	2.152				2.152
16) Sale of goods (finished or in progress)	6357	7				7
17) Gains on retirement or disposal of assets	6358					
18) Other revenue	6359					
REVENUE (10 + 11 + 12 + 13 + 14 + 15+ 16 + 17 + 18)	6360	2.159				2.159
OTHER TRANSACTIONS:						
Purchase of property, plant and equipment, intangible assets and other assets	6371					
Financing agreements: loans and capital contributions (lender)	6372					
Finance lease arrangements (lessor)	6373					
Repayment or cancellation of loans and lease arrangements (lessor)	6377					
Sale of property, plant and equipment, intangible assets and other assets	6374					
Financing agreements: loans and capital contributions (borrower)	6375					
Finance lease arrangements (lessee)	6376					
Repayment or cancellation of loans and lease arrangements (lessee)	6378					
Collateral and guarantees given	6381					
Collateral and guarantees received	6382					
Commitments assumed	6383					
Commitment/Guarantees cancelled	6384					
Dividends and other earnings distributed	6386					
Other transactions	6385					

V. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS/CONDENSED ANNUAL FINANCIAL STATEMENTS FOR THE INTERIM PERIOD

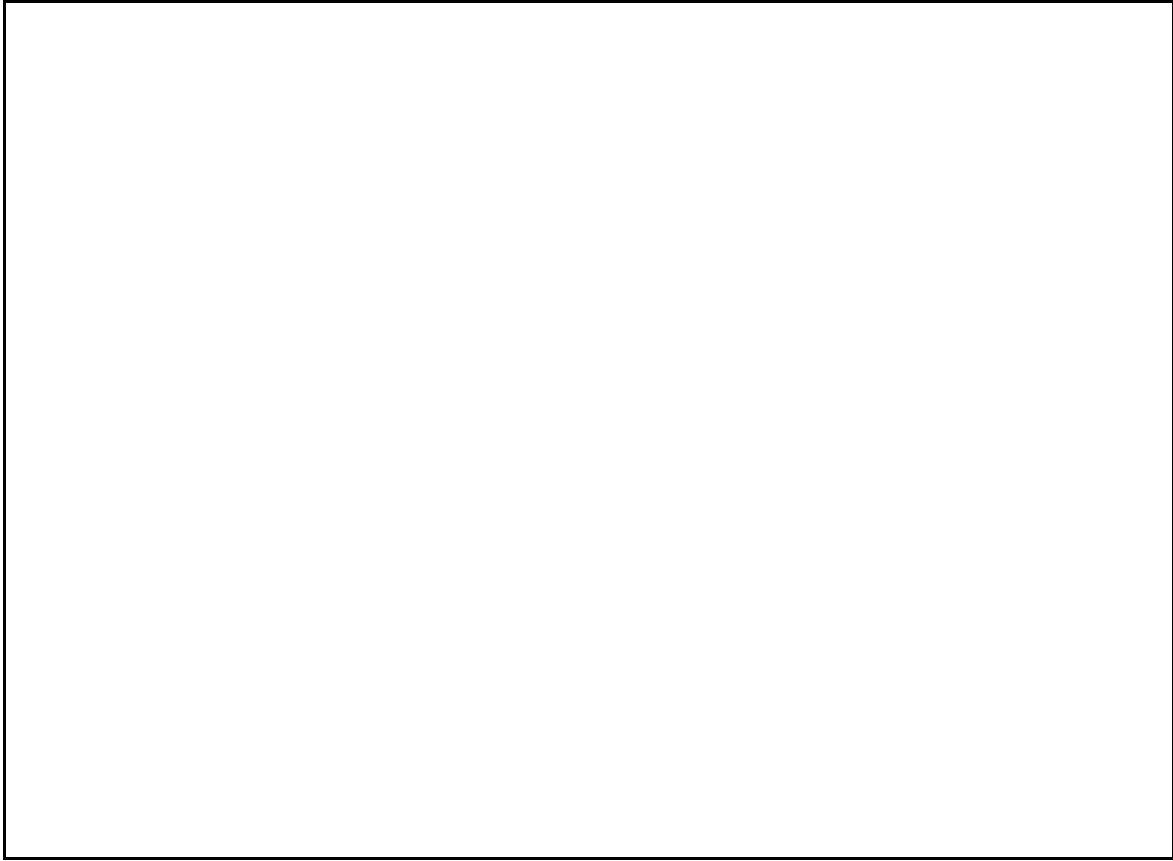
(1) Explanatory notes to the financial statements: *Explanatory notes to the interim financial statements* and other Selected financial information required in Chapter IV of this template should be attached here, and shall contain at least the minimum disclosures required in the instructions for the preparation of the half-yearly financial report.

(2) Condensed annual financial statements:

(2.1) Issuers that prepare consolidated condensed annual financial statements: If the consolidated financial statement templates of Sections 6, 7, 8, 9 and 10.A or 10.B of Chapter IV of the selected financial information do not meet the requirements established in the adopted international accounting standard applicable to interim financial information, or if the issuer voluntarily chooses to prepare condensed consolidated annual financial statements for the interim period including its own condensed financial statement templates, it shall attach in this section the condensed consolidated annual financial statements for the interim period, which shall contain, at least, all the minimum disclosures required under the adopted international accounting standard applicable to interim financial information, without prejudice to the obligation to additionally complete the financial information contained in Chapter IV on Selected financial information.

(2.2) Issuers that do not prepare consolidated condensed annual financial statements: In the exceptional case that the individual financial statement templates of Sections 1, 2, 3, 4 and 5.A or 5.B of Chapter IV on Selected financial information do not comply with the requirements established by Article 13 of Royal Decree 1362/2007; or if the issuer voluntarily draws up condensed individual annual financial statements for the interim period including its own condensed financial statement templates, it shall attach in this section the condensed individual annual financial statements for the interim period, which shall contain, at least, all the minimum disclosures required under the adopted international accounting standard applicable to interim financial information, without prejudice to the obligation to additionally complete the financial information contained in Chapter IV on Selected financial information.

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 2018

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 2018, 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 2018 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 2018. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 31 July 2018 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 2018. 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

12 September 2018

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INTERIM DIRECTORS' REPORT FOR
THE FIRST HALF OF 2018**

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.

Index

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 31 JULY 2018	8
1 Basis of presentation	8
2 Accounting policies and basis of consolidation	8
3 Activity and description of the Group	10
4 Segment reporting	11
5 Property, plant and equipment and intangible assets	12
6 Capital and reserves	12
7 Income taxes	13
8 Remuneration of the Board of Directors and related party transactions	13
9 Explanation added for translation to English	16

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

(Amounts in millions of euros)	31/07/2018	31/07/2017
Net sales	12,025	11,671
Cost of sales	(5,208)	(5,090)
GROSS PROFIT	6,817	6,582
	56.7%	56.4%
Operating expenses	(4,459)	(4,274)
Other losses and income, net	(15)	(16)
GROSS OPERATING PROFIT (EBITDA)	2,343	2,292
Amortization and depreciation	(559)	(548)
NET OPERATING PROFIT (EBIT)	1,784	1,744
Financial results	21	(1)
Results of companies accounted for using the equity method	18	20
PROFIT BEFORE TAXES	1,823	1,763
Income tax	(413)	(397)
NET PROFIT	1,411	1,366
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	2	-
NET PROFIT ATTRIBUTABLE TO THE PARENT	1,409	1,366
BASIC AND DILUATED EARNINGS PER SHARE , Euros (*)	0.452	0.439

(*) EPS calculated on the basis of 3,113.7 million shares in 2018 and 3,112.7 million shares in 2017.

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2018.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Amounts in millions of euros)	31/07/2018	31/07/2017
Net profit	1,411	1,366
Items that will be reclassified to profit or loss in future years		
Other comprehensive income recognize directly in equity:		
Translation differences related to financial statements of foreign operations	(16)	(221)
Cash flow hedges		
Profit	12	5
Loss	-	(112)
Tax effect	-	17
Total	(4)	(312)
Transfers to profit or loss:		
Cash flow hedges		
Profit	(6)	(17)
Loss	31	-
Tax effect	(2)	4
Total	24	(13)
Total comprehensive income for the period	1,431	1,041
Total comprehensive income attributable to:		
Equity holders of the Parent	1,429	1,041
Non-controlling interests	2	-
Total comprehensive income for the period	1,431	1,041

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2018.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**

(Amounts in millions of euros)	31/07/2018	31/01/2018
ASSETS		
NON-CURRENT ASSETS	10,670	10,084
Rights over leased assets	491	457
Other intangible assets	286	255
Goodwill	206	207
Property, plant and equipment	8,096	7,644
Investment property	20	21
Financial investments	247	237
Other non-current assets	571	520
Deferred tax assets	751	744
CURRENT ASSETS	9,984	10,147
Inventories	2,803	2,685
Trade and other receivables	871	778
Income tax receivable	95	110
Other current assets	205	160
Other financial assets	21	12
Current financial investments	1,899	1,472
Cash and cash equivalents	4,091	4,931
TOTAL ASSETS	20,654	20,231
EQUITY AND LIABILITIES		
EQUITY	12,632	13,522
Equity attributable to the Parent	12,604	13,497
Equity attributable to non-controlling interests	28	25
NON-CURRENT LIABILITIES	1,564	1,536
Provisions	217	259
Other non-current liabilities	1,057	1,005
Financial debt	5	4
Deferred tax liabilities	284	268
CURRENT LIABILITIES	6,459	5,173
Financial debt	40	12
Other financial liabilities	32	105
Income tax payable	188	151
Trade and other payables	6,198	4,906
TOTAL EQUITY AND LIABILITIES	20,654	20,231

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2018.

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARIES**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(Amounts in millions of euros)	From 1 February 2018 To 31 July 2018	From 1 February 2017 To 31 July 2017
Profit before taxes and non-controlling interest	1,823	1,763
Adjustments to profit		
Amortization and depreciation	559	548
Foreign exchange translation differences	(34)	(24)
Provisions for impairment	(35)	4
Results from companies consolidated by equity method	(18)	(20)
Other	22	77
Income tax	(378)	(364)
Funds from operations	1,938	1,984
Variation in assets and liabilities		
Inventories	(105)	(227)
Receivables and other current assets	(207)	93
Current payables	(100)	(459)
Changes in working capital	(412)	(593)
Cash flows from operating activities	1,526	1,391
Payments relating to investments in intangible assets	(130)	(87)
Payments relating to investments in property, plant and equipment	(743)	(738)
Collections relating to divestments of property, plant and equipment	24	-
Payments relating to investments in companies	-	(30)
Payments relating investment in other financial investments	(2)	-
Payments relating investment in other assets	(10)	(10)
Collections relating investment in other assets	19	9
Changes in current financial investments	(417)	317
Cash flows from investing activities	(1,258)	(538)
Collections relating to non-current financial debt	3	4
Payments relating to non-current financial debt	(1)	(3)
Payments relating to acquisitions of treasury shares	-	(12)
Changes relating to current financial debt	31	14
Dividends	(1,168)	(1,068)
Cash flows used in financing activities	(1,134)	(1,064)
Net increase in cash and cash equivalents	(866)	(211)
Cash and cash equivalents at the beginning of the period	4,931	4,116
Effect of exchange rate fluctuations on cash and cash equivalents	26	(92)
Cash and cash equivalents at the end of the period	4,091	3,813

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2018.

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 2017	94	20	12,675	76	161	(87)	(240)	15	12,713	38	12,752
Profit for the year	-	-	1,366	-	-	-	-	-	1,366	-	1,366
Distribute results	-	-	(48)	-	48	-	-	-	-	-	-
Distribute dividends	-	-	23	-	(23)	-	-	-	-	-	-
Transfers	-	-	(29)	-	-	-	29	-	-	-	-
Other movements	-	-	(20)	-	(1)	-	-	-	(20)	(1)	(21)
Other comprehensive income for the year	-	-	-	-	-	-	(221)	(104)	(325)	-	(325)
· Translation differences related to foreign operations	-	-	-	-	-	-	(221)	-	(221)	-	(221)
· Cash flow hedges	-	-	-	-	-	-	-	(104)	(104)	-	(104)
Operations with equity holders or owners	-	-	(2,151)	(5)	-	10	-	-	(2,146)	(15)	(2,161)
· Treasury shares	-	-	-	-	-	(12)	-	-	(12)	-	(12)
· Share-based collections	-	-	-	13	-	-	-	-	13	-	13
· Share-based payments	-	-	(20)	(19)	-	22	-	-	(17)	-	(17)
· Acquisition of minority interest	-	-	(14)	-	-	-	-	-	(14)	(5)	(19)
Dividends	-	-	(2,117)	-	-	-	-	-	(2,117)	(10)	(2,127)
Balance at 31 July 2017	94	20	11,817	71	185	(77)	(432)	(89)	11,587	23	11,610
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 collections	-	-	-	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

The accompanying explanatory notes 1 to 9 are an integral part of these interim condensed consolidated financial statements for the first half of 2018.

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 2018

1 Basis of presentation

The interim condensed consolidated financial statements for the six-month period ended 31 July 2018 ("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 2018. These interim financial statements were prepared by the Board of Directors at its meeting held on 11 September 2018.

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 2018 will hereinafter be referred to as the "first half of 2018" and the six-month period ended 31 July 2017 as the "first half of 2017".

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 2018 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 2018 and 2017, except with respect to the interim condensed consolidated balance sheet, which compares 31 July 2018 with 31 January 2018. There have been no significant changes in the consolidation scope in the first half of 2018.

Alternative Performance Measures (gross profit, EBITDA, EBIT, ROCE and ROE) are defined in the Initial Note to the consolidated annual accounts for 2017.

2 Accounting policies and basis of consolidation

The accounting policies and basis of consolidation adopted to prepare these interim financial statements at 31 July 2018 are the same as those used to prepare the consolidated annual accounts for 2017, although in addition we have considered the standards and interpretations whose date of mandatory application for the group was 1 February 2018:

- IFRS 15 - Revenue from contracts with customers: IFRS 15 is a comprehensive standard on recognition of revenue with customers and establishes a five-step approach to the recognition of revenue based on the transfer of control. The Group has applied the standard in a backdated way, without re-expressing the comparison information, from 1 February 2018

Almost all the Group's revenue comes from retail sales through company-managed stores, online sales, and sales to franchisees. The obligations contracted in these activities correspond mainly to the provision of certain goods to customers and the revenue of which is recognized at the time at which control of the foregoing products is transferred, which does not differ significantly from

the pattern of recognizing revenue under the previous revenue standard, and this is why application of the IFRS 15 has not had a significant impact on the recognized revenue or financial position during the first half of 2018. Furthermore, no assets have been recognized for contracts with customers as a consequence of applying the IFRS 15.

- IFRS 9 - Financial instruments: IFRS 9 is the financial instruments standard and it has introduced changes in the following aspects:
 - Classification and measurement of financial instruments: Under the new standard, the Group classifies all of its financial assets except for deposits, measured at repayment cost given that the Group's business model aims to collect the cash flows of the financial assets which are exclusively the principal and interest. This classification does not differ significantly from the classification and measurement of financial assets under the previous financial instruments standard IAS 39.
 - Impairment: The measurement of impairment of financial assets at amortized cost is based on the expected loss. To this end, the Group has defined a model to regularly assess, first of all, whether there have been significant changes in the credit risk of the financial assets, and then, whenever the credit risk is low or has not increased, determine the expected loss at 12 months. At the date of preparation of these financial statements, the Group estimates that the credit risk of financial assets has not increased significantly since the date of initial recognition. Due to the Group's business model, the impairment of assets at amortized cost under IFRS 9 is not significant.
 - Hedge accounting: The application of the new requirements for hedge accounting has not had a relevant effect on the financial statements of the first half of 2018.

The Group has applied IFRS 9 since 1 February 2018, without re-expressing the comparison information.

- Other modifications and interpretations in force: Since 1 January 2018, minor amendments have been made to some standards already in force, as well as interpretations of standards, which have been applied by the Group, although they have not had any effect on the half yearly financial statements:
 - Amendments to IFRS 2 - Share-based payments
 - Amendment to IFRS 4 - Insurance contracts
 - Amendment to IAS 40 - Investment property
 - Amendment to IFRS 1 - First-time adoption of the IFRS
 - Amendment to IAS 28 - Investments in associates and joint ventures
 - IFRIC 22 - Foreign currency transactions and prepayments

As of the date of formulation of the interim condensed consolidated financial statements, certain standards, amendments and interpretations have been published that have not been applied since their mandatory application date was effective as of 1 January 2019 or because they were not approved for application in the European Union, which are not expected to have a significant impact on the Group, with the exception of IFRS 16 of Leases.

IFRS 16 will enter into force in 2019 and will replace IAS 17 as well as its current associated interpretations. The key novelty of IFRS 16 is that there will be a single accounting model for lessees that will include in the balance sheet all leases, with the exception of insignificant leases or those with a lease period of less than 12 months. In this accounting model, the lease is registered as a right-of-use asset and a liability at the initial moment for the committed payments. In addition, the nature of the expenses related to such leases will change, since IFRS 16 replaces the straight-line operating lease expense for an amortization charge for right-of-use assets and an interest expense on lease liabilities.

The current standard (IAS 17) does not require the recognition of any asset or liability for right of use for future payments for these operative leases; however, certain information is disclosed as a lease commitment in Note 24 of consolidated annual accounts for 2017. As indicated in Note 1 of consolidated annual accounts for 2017, most of the Group's stores are located in leased premises

that have been accessed under operating leases, so considering the volume of existing agreements and the magnitude of the payments committed in these leases (Note 24 of consolidated annual accounts for 2017), the Group considers that the amendments included in IFRS 16 will have a significant impact on the Group's consolidated annual accounts.

Elsewhere, IFRS 16 allows its application through two different transition methods, either with a retrospective approach for each comparative period presented or a retrospective approach with the cumulative effect of the initial application of the standard recognized as an adjustment to reserves on the date of first application of the same. The Group has decided to adopt this second transition method described, although it is assessing the possible simplifications associated with it, so that at the date of preparing these interim consolidated financial statements, the Group is quantifying the potential impact that the application of the standard will have on its consolidated annual accounts. Among other factors, this quantitative effect will depend on the simplifications that are going to be considered as well as the exemptions to the calculation, the reasonably certain lease term considered and the discount rate applied. The Group is assessing which of these practical solutions will be adopted in each case, so it is not feasible to provide a reasonable estimate of the financial effect until such process has been completed.

In the preparation of the interim condensed consolidated financial statements at 31 July 2018, estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. Basically, these estimates refer to:

- The assessment of possible impairment losses on certain assets.
- 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 pension and other obligations to employees.
- The calculation of the provisions necessary to address the risks arising from ongoing litigation and doubtful debts.
- The term of leases.
- The recovery of deferred tax assets.

These estimates were made using the best information available at 31 July 2018. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In 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 2018.

3 Activity and description of the Group

Industria de Diseño Textil, S.A. ("Inditex", "the Company" or "the Parent"), 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 ("the Group", "the Group Inditex").

Inditex is listed on all the four Spanish stock exchanges.

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

Inditex offers creative fashion based on customer expectations thanks to its fully integrated online and store business.

Inditex carries out its activity through various retail concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each concept is carried out through a store and online model, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the activity is performed through franchises.

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

Stores and online customers' feedback drives our decision making process; based on this information, our commercial design teams decide the product to be manufactured through our short lead time ability, aiming to make the garments available as soon as possible.

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

At 31 July 2018, the various Group formats had stores in 96 markets with the following geographical distribution:

	Number of stores		
	Company managed	Franchises	Total
Spain	1,601	42	1,643
Rest of Europe	3,206	142	3,348
America	629	183	812
Rest of the World	916	703	1,619
Total	6,352	1,070	7,422

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 aimed at different targeted sectors of the public.

The origin and predominant nature of the risks and returns of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the unit 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 organized 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 operating profits by segments.

The liabilities figures, financial results and tax by segments are not subject to disclosure, as they aren't part of the key business indicators defined in the previous paragraph, or part of the periodic segment reporting 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, ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

1H2018

	ZARA	Bershka	Other	Inter-segment	Total
Sales to third parties	7,966	1,045	3,072	(58)	12,025
Segment EBIT	1,250	145	389	-	1,784
Amortization and depreciation	351	51	158	-	559
Segment total assets	15,610	1,088	3,956	-	20,654

1H2017

	ZARA	Bershka	Other	Inter-segment	Total
Sales to third parties	7,786	1,016	2,920	(50)	11,671
Segment EBIT	1,236	149	364	(5)	1,744
Amortization and depreciation	330	47	167	5	548
Segment total assets	14,564	1,003	3,822	-	19,389

For the purpose of reconciliation with the interim condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the interim condensed consolidated income statement and the amortization and depreciation corresponds to "Amortization and depreciation" in the interim condensed consolidated income statement.

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

The segment profit refers to its Operating Result (EBIT) as defined in the Initial Note to the consolidated annual accounts for 2017. 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 performed on an arm's length basis.

5 Property, plant and equipment and intangible assets

The main net investments made in the first half of 2018 amount to euros 1,072 million (first half of 2017: euros 899 million) and relate basically to the investments made in the opening of new stores or the refurbishment of existing ones, recognized under "Property, plant and equipment" and "Rights over leased assets" in the accompanying interim condensed consolidated balance sheet. No significant disposals or derecognitions took place in the reporting period.

6 Capital and reserves

Share capital

At 31 July 2018 and 31 January 2018, the Company' share capital amounted to euros 94 million and was divided into 3,116,652,000 fully subscribed and paid-in shares of euros 0.03 par value each. All shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

Inditex shares are listed on the four Spanish stock exchanges. The Company' issues bearer shares represented by book entries. However, pursuant to Section 497 of Legislative Royal Decree 1/2010, of 2 July, approving the Revised Text of 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).

At 31 July 2018 and 31 January 2018, the members of the Board of Directors owned, directly or indirectly, 59.362% of the Company' share capital.

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016, approved a Long-Term Incentive Plan 2016-2020 addressed to members of the management and other employees of the Inditex Group (hereinafter, the 2016-2020 Plan) (Note 27 of the consolidated financial statements for 2016) and authorized the Board of Directors for the derivative acquisition of treasury stock, aimed at the coverage of said 2016-2020 Plan.

At 31 July 2018 and 31 January 2018, the Parent owned 2,950,143 treasury shares, representing 0.095% of the share capital.

Dividends

On 17 July 2018, the Annual General Shareholders' Meeting approved the distribution of a dividend charged to profits for 2017 amounting to a maximum of euros 2,335 million (euros 0.75 gross per share, corresponding to an ordinary dividend of euros 0.54 per share and a bonus dividend of euros 0.21 per share for all the outstanding shares).

Of the aforementioned amount, a gross amount of euros 0.375 per share was paid on 2 May 2018 as an interim dividend and euros 0.375 gross per share will be paid on 2 November 2018 as a final dividend (ordinary and bonus); the total amount payable is recognized under "Trade and other payables" in the accompanying interim condensed consolidated balance sheet at 31 July 2018.

7 Income taxes

The accrued income tax expense for the first half of 2018 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 2018 and 2017 was calculated by applying an effective tax rate of 22.6% and 22.5%, respectively.

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

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 2018 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 in the consolidated balance sheet:

Transactions:

Type of company	1H2018	1H2017
Jointly controlled entities	(452)	(439)

Balances:

	31/07/2018	31/07/2017
Current financial investments	10	12
Trade and other receivables	10	7
Non-current financial investments	245	220
Trade and other payables	304	290
Current financial debt	1	-

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

Significant Shareholders

In the first half of 2018 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

1H2018

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sales of assets	1
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(22)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	1
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

1H2017

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(21)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	2
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 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 2018 Inditex's members of the Board of Directors and Management earned the following remuneration and termination benefits:

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

The variable remuneration earned by the members of the Board of Directors and Management in 2017, which was disclosed in the consolidated annual accounts for 2017, was paid in the first half of 2018.

In the first half of 2017 Inditex's members of the Board of Directors and Management earned the following remuneration and termination benefits:

	Thousands of Euros	
	Directors	Management
Remuneration	6,760	17,452
Termination benefits	-	-
Total	6,760	17,452

The amounts shown above include the settlement of the First Cycle (2014-2017) of the 2013-2017 Plan, which was performed in the first half of 2017. After assessing the degree of achievement of the aforementioned plan's objectives, the Board of Directors, at the Remuneration Committee's proposal, verified on 18 July 2017 an overall degree of achievement of the objectives of 100%. Consequently, 67,333 shares were delivered to the Executive Chairman and 185,700 shares to Senior Management, after the corresponding personal income tax pre-payment had been made in each case.

Also, the variable remuneration earned by the members of the Board of Directors and Management in 2016 was paid in the first half of 2017.

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 DIRECTORS' REPORT

FOR THE FIRST HALF OF 2018

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

Interim Directors' Report at 31 July 2018

(Amounts expressed in millions of euros)

Situation of the entity

Inditex is a global fashion group with a presence on five continents, 96 markets 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, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home 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 countries 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 throughout each season. This system essentially operates through centralized 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 Control Committee
- Nomination Committee
- Remuneration Committee
- Compliance Committee and Office of the Chief Compliance Officer.
- Committee of Ethics

Business performance and results

Key financial and non-financial indicators

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

Strong operating performance. Net sales reached €12 billion, 3% higher than in 1H2017. Sales in local currencies increased by 8%.

Like-for-like sales grew 4% in 1H2018 on 6% in 1H2017 and were positive across all geographies. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of first half fiscal years 2018 and 2017) and online. This represents 85% of total sales in 1H18.

In 1H2018 Inditex opened stores in 44 markets.

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

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

Net sales by concept are shown in the table below:

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

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

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

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

Operating expenses have been tightly managed over the year and have grown by 4%, mainly as a result of the growth in sales and new retail space added.

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

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

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

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

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

Issues relating to sustainability and employees

During the first half of FY2018, 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 2017 financial year that ended on 31 January 2018, which contains the "Non-financial and diversity disclosure" of the Inditex Group.

In any case, the consolidated Directors' Report for FY2018, under the heading "Non-financial and diversity disclosure", will contain the full information on the sustainability and employee issues of the Inditex Group, referring to the current FY2018.

Liquidity and capital resources

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

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

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

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

The Group's capital structure is characterized by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

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

Analysis of contractual obligations and off balance sheet transactions

As detailed in Note 24 to the 2017 consolidated annual accounts, the most significant contractual obligations are related to future minimum payments under non-cancellable operating leases.

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2018, 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 include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk, regardless of whether or not they determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

General Counsel's Office – Compliance Office supervises and manages the Inditex Group's regulatory compliance system 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.

3. Reputation

These are risks which have a direct influence on the perception of the Group held by its stakeholders (customers, employees, shareholders and suppliers) and society in general.

They arise from the possibility of the inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the

corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach that might have an impact on the Organization's reputation.

4. Human resources

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

5. Operational

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing and taking on board the ongoing changes in fashion trends, and in manufacturing, buying and putting on the market new items that meet customer expectations.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events not within 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 14 logistics centres located throughout Spain. 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.

6. Financial

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes, inter alia, foreign currency exchange risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various markets.

The euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in the euro, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit or debit card. In any event, the Group is exposed to the risk that the counterparties (mainly financial ones) fail to comply with the obligations resulting from the invest the company's cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

7. Information for decision-making

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Planning Management and Control and the Administration Departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

8. Technology and information systems

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of 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 an inappropriate in the Group's management leading to the failure to comply with corporate governance and transparency regulations.

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 Organization, 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.
- Code of Conduct and of Responsible Practices.
- Criminal Risk Prevention Policy.
- Criminal Risk Prevention Procedure.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- Corporate Social Responsibility Policy.
- Code of Conduct for Manufacturer and Supplier.
- 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 the Representatives and Attorneys.
- Policy on Human Rights.
- Compliance Policy.
- Tax Policy and the Tax Strategy.
- Procedure to Engage Auditors for the Provision of Non-Audit Services.

For more details, see Section "E-Risk control systems" of the Annual Corporate Governance Report for 2017.

Events after the reporting period

There is a possibility that the Argentine economy will be declared hyperinflationary in the second half of 2018 and, therefore, the Financial Statements corresponding to the first six months do not include

adjustments for hyperinflation. The impact it will have on the Consolidated Financial Statements of the Group will not be significant.

Information on the outlook for the Group

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

Ordinary capital expenditure in FY2018 will be approximately €1.5 billion driven mainly by the addition of new space in prime locations during the year. Ordinary capital expenditure is expected to grow below space growth in the coming years.

Stores and online launches

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

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

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 treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan aimed at management and other employees of the Inditex Group (hereinafter, "the 2016-2020 Plan") (see Note 27 to the consolidated annual accounts for 2016) and authorized the Board of Directors to derivatively acquire treasury shares, targeted at covering this 2016-2020 Plan.

At 31 July 2018 and 31 January 2018, the Parent owned 2,950,143 treasury shares, representing 0.095% of the share capital.

Other salient information

Stock market information

Inditex's market price stood at euros 28.05 per share at 31 July 2018, down 3% since the beginning of the year, while the Ibex 35 index posted a decrease of 6% in the same period. The average daily trading volume was approximately 6.9 million shares.

Inditex's market capitalization stood at euros 87,422 million at the end of the six-month period, up 854% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 3% increase in the Ibex 35 index in the same period.

Dividends policy

On 17 July 2018, the Annual General Shareholders' Meeting approved the distribution of a dividend charged to profit for 2017 amounting to a maximum of euros 2,335 million (euros 0.75 gross per share, corresponding to an ordinary dividend of euros 0.54 per share and a bonus dividend of euros 0.21 per share for all the outstanding shares).

Of the aforementioned amount, a gross amount of euros 0.375 per share was paid on 2 May 2018 as an interim dividend and euros 0.375 gross per share will be paid on 2 November 2018 as a final dividend (ordinary and bonus); the total amount payable is recognized under "Trade and other payables" in the accompanying interim condensed consolidated balance sheet at 31 July 2018.

Other disclosures

Related party transactions

Transactions with related parties are described in Note 8 to the interim condensed consolidated financial statements. The Company did not carry out any transactions with related parties 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 2018.

Alternative performance measures

The gross profit, EBITDA, EBIT, ROCE and ROE are defined in the initial Note to the Consolidated Annual Accounts for 2017.

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.