

# INDITEX

## Interim Nine Months 2019 Results

1 February 2019 to 31 October 2019

- ◆ Inditex continues to roll out its global, fully integrated store and online platform.
- ◆ Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In September/October, Zara launched online in South Africa, Colombia, Philippines and Ukraine.
- ◆ Strong operating performance: Net sales for the interim nine months 2019 reached €19.8 billion, 7.5% higher. Sales in local currencies grew 7%. Trading has remained strong throughout the period.
- ◆ Gross profit rose to €11.5 billion, 8% higher. Gross margin reached 58.2% (+21bps).
- ◆ The implementation of efficiencies has resulted in operating expenses being tightly managed over 9M2019.
- ◆ EBITDA in 9M2019 came to €5.7 billion vs. €3.9 billion in 9M2018. EBITDA increased 10% excluding the IFRS 16 new rules effects in 9M2019.
- ◆ Net income in 9M2019 grew 12% to €2.7 billion vs. €2.4 billion in 9M2018. Net income increased 9% excluding the IFRS 16 new rules effects in 9M2019.
- ◆ Net income in 3Q2019 reached €1.2 billion, 14% higher. Net income increased 12% excluding the IFRS 16 new rules effects in 3Q2019.
- ◆ IFRS 16 will result in an estimated increase of around 2.5% in FY2019 net income vs former IAS 17, in line with 9M2019.
- ◆ Due to the strong operating performance and the healthy working capital evolution, the cash position increased 17%.
- ◆ A dividend of €0.44 per share was paid on 4 November 2019 as FY2018 final ordinary and bonus dividend. The payment of this final dividend brings the total dividend in relation to FY2018 to €0.88.
- ◆ Management estimates like-for-like sales growth of 4%-6% in FY2019.

## Performance in the interim nine months 2019

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

Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In September/October, Zara launched online in South Africa, Colombia, Philippines and Ukraine.

During 9M2019, Inditex adopted the new lease accounting standard, IFRS 16, using the modified retrospective transition method. The implementation of IFRS 16 does not affect the cash flow or business, but some lines of the income statement become non-comparable with 2018 reported figures.

In the interim nine months 2019, Inditex achieved a strong operating performance. Net sales reached €19.8 billion, 7.5% higher than 9M2018. Sales in local currencies grew 7%. Trading has remained strong throughout the period.

In the interim nine months 2019 Inditex opened stores in 41 markets. At the end of 9M2019 Inditex operated 7,486 stores in 96 markets. A list of total stores by concept is included in Annex 1.

Gross profit rose to €11.5 billion, 8% higher than the previous year. The gross margin reached 58.2% of sales (+21 bps).

The implementation of efficiencies has resulted in operating expenses being tightly managed over 9M2019. As mentioned, Inditex started to report under the new IFRS 16 rules, which mainly changes the accounting treatment of leases. The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges, while variable rental expenses remain in the operating expenses line. Operating expenses growth was 6.7% excluding IFRS 16 new rules effects in 9M2019.

EBITDA in 9M2019 came to €5.7 billion vs. €3.9 billion in 9M2018. EBITDA increased 10% excluding the IFRS 16 new rules effects in 9M2019.

EBIT came to €3.5 billion vs. €3.1 billion in 9M2018. EBIT increased 9.3% excluding the IFRS 16 new rules effects in 9M2019.

A breakdown of financial results can be found in Annex 2.

The tax rate for 9M2019 is the best estimate for FY2019 according to current information.

Net income in 9M2019 grew 12% to €2.7 billion vs. €2.4 billion in 9M2018. Net income increased 9% excluding the IFRS 16 new rules effects in 9M2019.

Net income in 3Q2019 reached €1.2 billion, 14% higher. Net income increased 12% excluding the IFRS 16 new rules effects in 3Q2019.

IFRS 16 will result in an estimated increase of around 2.5% in FY2019 net income vs former IAS 17, in line with 9M2019.

Million Euros	31 October 2019 (*)	31 October 2018 (*)
Cash & cash equivalents	5,208	5,103
Short term investments	2,588	1,571
Current financial debt	(57)	(63)
Non current financial debt	(4)	(5)
Net financial cash (debt)	7,734	6,606

Due to the strong operating performance and the healthy working capital evolution the cash position increased 17%. The operating working capital position remains negative as a result of the business model.

Million Euros	31 October 2019 (*)	31 October 2018 (*)
Inventories	3,434	3,630
Receivables	843	838
Payables	(7,517)	(7,124)
Operating working capital	(3,240)	(2,655)

Inditex paid €1.4 billion, €0.44 per share, on 4 November 2019 as a FY2018 final ordinary and bonus dividend. The payment of this final dividend brings the total dividend paid in relation to FY2018 to €0.88.

## FY2019 Outlook

Management estimates like-for-like sales growth of 4%-6% and strong free cash flow generation in FY2019.

Ordinary capital expenditure in FY2019 will be approximately €1.4 billion driven mainly by the addition of new space in prime locations during the year. Ordinary capital expenditure is expected to grow below space growth in the coming years.

The results for the Full Year 2019 (1 February – 31 January) will be published on 18 March 2020.

## Agreements of the Board of Directors

Ms. Anne Lange has been appointed board member of Inditex. The appointment should be ratified at Inditex's Annual General Meeting in 2020.

For additional information:

## INDITEX

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## Disclaimer

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

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

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

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

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

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

- Tables and appendix to follow -

## Consolidated financial statements

Grupo Inditex		
9M2019 Profit & Loss statement (€m)		
	9M2019 (*)	9M2018 (*)
<b>Net sales</b>	<b>19,820</b>	<b>18,437</b>
Cost of sales	(8,282)	(7,743)
<b>Gross profit</b>	<b>11,538</b>	<b>10,695</b>
<i>Gross margin</i>	58.2%	58.0%
Operating expenses	(5,811)	(6,740)
Other net operating income (losses)	(25)	(23)
<b>Operating cash flow (EBITDA)</b>	<b>5,702</b>	<b>3,932</b>
<i>EBITDA margin</i>	28.8%	21.3%
Amortisation and depreciation	(2,154)	(862)
<b>Operating income (EBIT)</b>	<b>3,548</b>	<b>3,070</b>
<i>EBIT margin</i>	17.9%	16.7%
Financial results	(111)	12
Results from companies consolidated by equity method	36	31
<b>Income before taxes</b>	<b>3,473</b>	<b>3,113</b>
<i>EBT margin</i>	17.5%	16.9%
Taxes	(747)	(671)
Net income	2,726	2,442
Minorities	6	3
<b>Net income attributable to the controlling company</b>	<b>2,720</b>	<b>2,438</b>
<i>Net income margin</i>	13.7%	13.2%
<b>Earnings per share, Euros (**)</b>	<b>0.874</b>	<b>0.783</b>

(\*) Unaudited data

(\*\*) Shares for EPS calculation 3,114,336,200 for 2019 and 3,113,701,857 for 2018

Grupo Inditex  
Consolidated Balance Sheet as of 31 October 2019 (€m)

	31 October 2019 (*)	31 October 2018 (*)
<b>Assets</b>		
<b>NON CURRENT ASSETS</b>	<b>16,817</b>	<b>11,037</b>
Right of use	5,875	0
Intangible assets	581	991
Tangible assets	8,433	8,307
Financial investments	254	259
Other	1,674	1,480
<b>CURRENT ASSETS</b>	<b>12,432</b>	<b>11,454</b>
Inventories	3,434	3,630
Receivables	843	838
Short term investments	2,588	1,571
Cash & cash equivalents	5,208	5,103
Other	360	312
<b>TOTAL ASSETS</b>	<b>29,249</b>	<b>22,491</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		
<b>SHAREHOLDERS' EQUITY</b>	<b>14,004</b>	<b>13,662</b>
Equity attributable to the Group	13,970	13,634
Minority interests	34	28
<b>NON CURRENT LIABILITIES</b>	<b>5,983</b>	<b>1,603</b>
Deferred taxes	348	320
Financial debt	4	5
Lease liability	5,101	0
Other	530	1,278
<b>CURRENT LIABILITIES</b>	<b>9,262</b>	<b>7,226</b>
Financial debt	57	63
Lease liability	1,647	0
Payables	7,517	7,124
Other	41	39
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>29,249</b>	<b>22,491</b>

(\*) Unaudited data

## Annex 1

Total stores by concept:

Concept	31 October 2019	31 October 2018
Zara	2,139	2,118
Zara Kids	127	128
Zara Home	596	599
Pull&Bear	975	970
Massimo Dutti	760	762
Bershka	1,111	1,100
Stradivarius	1,011	1,008
Oysho	677	666
Uterqüe	90	91
Total	7,486	7,442

## Annex 2

Breakdown of financial results:

Million Euros	9M2019	9M2018
Net financial income (losses)	12	13
Lease financial expenses	(109)	0
Foreign exchange gains (losses)	(15)	(1)
Total	(111)	12

The Gross Margin, EBITDA, EBIT, ROE, ROCE, working capital and financial position are defined in the introduction to the Consolidated Annual Accounts 2018.