INDITEX ANNUAL REPORT 2021

Index

STATEMENT MADE ABOUT THE CONTENTS OF THE FINANCIAL ANNUAL REPORT

We, the members of the Board of Directors of the company, do hereby state and represent that, to the best of our knowledge and belief, the annual consolidated accounts for fiscal year 2021 (1 February 2021 – 31 January 2022), stated by the Board of Directors in the meeting held on 15th March 2022, drafted pursuant to the applicable accounting principles, give the true and fair view of the assets, the financial situation and the results of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, and that the consolidated directors' report includes a true review of the evolution and the corporate results, as well as of the position of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, together with the description of the main risks and uncertainties they face up to.

In Arteixo (A Coruña), on 15 March 2022.

Mr Pablo Isla Álvarez de Tejera

Executive Chairman

Mr Amancio Ortega Gaona

Ordinary Member

Mr José Arnau Sierra

Deputy Chairman

D. Oscar García Maceiras

CEO

Pontegadea Inversiones, S.L.

Ordinary Member

Ms Flora Pérez Marcote

Bns. Denise Patricia Kingsmill

Ordinary Member

Ms. Pilar López Álvarez

Ordinary Member

Ms Anne Lange

Ordinary Member

Mr José Luis Durán Schulz

Ordinary Member

Mr Rodrigo Echenique Gordillo

Ordinary Member

Mr. Emilio Saracho Rodríguez de Torres

Ordinary Member

AUDIT REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

Deloitte, S.L.
Ferrol 1
15004 A Coruña
España

Tel: +34 981 12 46 00
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2021").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2022, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Measurement of leases

Description	Procedures applied in the audit
Most of the premises in which the Group's stores are located, as well as certain logistics centres and other assets, are leased (see Note 1). The measurement of the leases in accordance with current legislation (IFRS 16) requires management to make judgements and estimates that have a significant effect on the measurement of the right-of-use assets and of the associated financial liabilities, the most critical of which are those related to the determination of the term of, and the discount rate applicable to, each lease. In turn, the evolution of the Group's business model towards an integrated model has led to frequent renegotiation of the leases in search for greater flexibility, which increases the volume of renegotiations and, consequently, the risk of misstatements in accounting for the agreed-upon modifications. The significant volume of leases, their diverse nature and the significance and impact of the estimates made lead us to consider this matter to be a key matter in our audit.	In response to this key matter, our audit included, among others, the following procedures: - An evaluation of the design, implementation and operating effectiveness of the key controls established by the Group in relation to the measurement and recognition of leases. - An evaluation of the reasonableness and consistency of the main assumptions used by management and the appropriateness thereof in relation to the applicable accounting framework. - For a representative sample of leases, verification that the measurement of the lease was consistent and appropriate in respect of the terms and characteristics of the lease. - For a representative sample of the rent concessions obtained as a consequence of the covid-19 pandemc-related renegotiations, verification of the correct accounting therefor in accordance with current legislation. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

Measurement of inventories	
Description	**Procedures applied in the audit**
The Group's inventories had a carrying amount of EUR 3,042 million at 31 January 2022, representing 10.5% of its total assets. These inventories relate mainly to finished goods, are distributed among the distribution centres and stores managed by the Group and are measured as described in Note 2-h to the accompanying consolidated financial statements. The Group's business model is based on offering fashion products according to an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale. The fast-moving nature of fashion and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the recoverable amount of each SKU, and the importance of amount of inventories, lead us to consider this matter to be a key matter in our audit.	In response to this key matter, our audit included, among others, the following procedures: - An evaluation of the coherence of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2022 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year. - An evaluation of the design, implementation and operating effectiveness of the key controls established by the Group in the inventory measurement process. - An assessment of the key estimates used by Group management to determine the net realisable value of its inventories and the consistency thereof with Group policies and other available information, such as historical sales of similar seasons and future sales forecasts. - A recalculation of the recoverable amount of the Group's finished goods inventories, for which we involved our IT experts. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

IT systems	
Description	**Procedures applied in the audit**
The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof. In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing. Also, in the current environment and in organisations of the dimension of the Group, management of cybersecurity risks is becoming increasingly important. Due to their importance and the audit effort required, the knowledge, evaluation and validation of the operating effectiveness of general IT controls and certain automatic controls over financial reporting systems, including controls relating to software maintenance and development, access security, the use of systems and information upload between applications, were considered as a key matter in our audit.	In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved: - Identification of relevant IT items and software in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and evaluation of the level of internal control over the systems. Our understanding focused, among other aspects, on the existence of policies and procedures relating to the IT processes (systems access control, development and manteinance, and control of operations); on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software. - An evaluation of the design, implementation and operating effectiveness of general IT controls relating to access control, management of changes and operations and maintenance of the software we considered relevant. - Evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain business cycles, such as sales, cost of sales and the accounting closing. - A review of the cybersecurity risk management model for the main IT systems and evaluation of the associated security measures and action plans. The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the consolidated financial statements.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2021, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Director's Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2021 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Industria de Diseño Textil, S.A. and its subsidiaries for 2021, which comprise the XHTML file including the consolidated financial statements for 2021 and the XBRL files with the tagging performed by the Parent, which will form part of the annual financial report.

The directors of Industria de Diseño Textil, S.A. are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 14 March 2022.

Engagement Period

The Parent's Annual General Meeting held on 13 July 2021 appointed us as auditors for a period of one year from the year ended 31 January 2021.

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

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

Cleber H. Beretta Custodio

Registered in ROAC under no. 22,169

16 March 2022

Appendix to our auditor's report

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

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

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

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

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

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

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

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

CONSOLIDATED ANNUAL ACCOUNTS

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

Consolidated income statement

(Amounts in millions of euros)	(Notes)	2021	2020
Net sales	(3)	27,716	20,402
Cost of sales	(4)	(11,902)	(9,013)
GROSS PROFIT		**15,814**	**11,390**
		57.1%	55.8%
Operating expenses	(5)	(8,596)	(6,807)
Other losses and income, net	(6)	(35)	(31)
GROSS OPERATING PROFIT (EBITDA)		**7,183**	**4,552**
Amortisation and depreciation	(7)	(2,901)	(3,045)
NET OPERATING PROFIT (EBIT)		**4,282**	**1,507**
Financial results	(8)	(142)	(139)
Results of companies accounted for using the equity method	(17)	58	33
PROFIT BEFORE TAXES		**4,199**	**1,401**
Income tax	(24)	(949)	(297)
NET PROFIT		**3,250**	**1,104**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**7**	**(2)**
NET PROFIT ATTRIBUTABLE TO THE PARENT		**3,243**	**1,106**
EARNINGS PER SHARE, euros	**(9)**	**1.042**	**0.355**

Consolidated statement of comprehensive income

(Amounts in millions of euros)	(Notes)	2021	2020
Net profit		3,250	1,104
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		122	(393)
Cash flow hedges			
Profit	(25)	6	-
Loss	(25)	-	(3)
Tax effect		(1)	-
TOTAL		**127**	**(396)**
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	-	(1)
Loss	(25)	3	6
Tax effect		-	(1)
TOTAL		**3**	**4**
Total comprehensive income for the year		**3,380**	**713**
Total comprehensive income attributable to:			
Equity holders of the Parent		3,373	714
Non-controlling interests		7	(2)
Total comprehensive income for the year		**3,380**	**713**

Consolidated Balance Sheet

(Amounts in millions of euros)	(Notes)	31/01/2022	31/01/2021
ASSETS			
NON-CURRENT ASSETS		**15,343**	**15,460**
Rights of use	(15)	5,224	5,477
Other intangible assets	(14)	589	444
Goodwill	(16)	202	201
Property, plant and equipment	(13)	7,481	7,401
Investment property		21	21
Financial investments	(17)	307	261
Other non-current assets	(18)	340	380
Deferred tax assets	(24)	1,179	1,276
CURRENT ASSETS		**13,602**	**10,957**
Inventories	(12)	3,042	2,321
Trade and other receivables	(11)	842	715
Income tax receivable	(24)	219	257
Other current assets		82	88
Other financial assets	(25)	22	2
Current financial investments	(20)	2,374	176
Cash and cash equivalents	(20)	7,021	7,398
TOTAL ASSETS		**28,945**	**26,418**

EQUITY AND LIABILITIES			
EQUITY		**15,759**	**14,550**
Equity attributable to the Parent		15,733	14,520
Equity attributable to non-controlling interests		26	30
NON-CURRENT LIABILITIES		**5,157**	**5,529**
Provisions	(21)	287	252
Other non-current liabilities	(22)	248	280
Financial debt	(20)	1	3
Lease liability	(15)	4,262	4,599
Deferred tax liabilities	(24)	359	396
CURRENT LIABILITIES		**8,030**	**6,338**
Financial debt	(20)	35	11
Other financial liabilities	(25)	22	27
Lease liability	(15)	1,562	1,552
Income tax payable	(24)	211	88
Trade and other payables	(19)	6,199	4,659
TOTAL EQUITY AND LIABILITIES		**28,945**	**26,418**

Consolidated statement of cash flows

(Amounts in millions of euros)	(Notes)	2021	2020
Profit before taxes and non-controlling interest		**4,199**	**1,401**
Adjustments to profit			
Amortisation and depreciation	(7)	2,901	3,045
Provisions for impairment		51	(223)
Results from companies consolidated by equity method	(17)	(58)	(33)
Lease financial expenses	(8)	92	120
Other		81	6
Income tax paid		(734)	(452)
Funds from operations		**6,530**	**3,864**
Variation in assets and liabilities			
Inventories		(759)	93
Receivables and other current assets		(154)	34
Current payables		1,136	(974)
Changes in working capital		**223**	**(847)**
Cash flows from operating activities		**6,754**	**3,017**
Payments relating to investments in intangible assets		(460)	(241)
Payments relating to investments in property, plant and equipment		(666)	(467)
Collections relating to divestments of property, plant and equipment		-	36
Payments relating to investments in companies		-	(5)
Collections relating investment in other financial investments		25	12
Payments relating investment in other assets	(18)	(8)	(6)
Collections relating investment in other assets	(18)	54	42
Changes in current financial investments		(2,198)	3,143
Cash flows from investing activities		**(3,253)**	**2,514**
Payments relating to non-current financial debt		(5)	(6)
Payments relating to acquisition treasury shares		(71)	-
Changes in current financial debt		27	(17)
Lease payments fixed charge		(1,668)	(1,673)
Dividends		(2,192)	(1,090)
Cash flows used in financing activities		**(3,909)**	**(2,786)**
Net increase in cash and cash equivalents		(408)	2,745
Cash and cash equivalents at the beginning of the year	(20)	7,398	4,780
Effect of exchange rate fluctuations on cash and cash equivalents		31	(127)
Cash and cash equivalents at the end of the year	**(20)**	**7,021**	**7,398**

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 2020	**94**	**20**	**14,993**	**58**	**214**	**(60)**	**(402)**	**(4)**	**14,913**	**36**	**14,949**
Profit for the year	-	-	1,106	-	-	-	-	-	1,106	(2)	1,104
Distribute results	-	-	(251)	190	61	-	-	-	-	-	-
Distribute dividends	-	-	25	-	(25)	-	-	-	-	-	-
Transfers	-	-	(83)	-	(8)	-	91	-	-	-	-
Other movements	-	-	(28)	-	(2)	-	-	-	(29)	(4)	(33)
Argentina reexpresion	-	-	10	-	-	-	-	-	10	-	10
Other comprehensive income for the year	-	-	-	-	-	-	(393)	1	(392)	-	(392)
· Translation differences related to foreign operations	-	-	-	-	-	-	(393)	-	(393)	-	(393)
· Cash flow hedges	-	-	-	-	-	-	-	1	1	-	1
Operations with equity holders or owners	-	-	(1,069)	(27)	-	9	-	-	(1,087)	-	(1,087)
· Share-based collections	-	-	-	9	-	-	-	-	9	-	9
· Share-based payments	-	-	22	(35)	-	9	-	-	(5)	-	(5)
· Dividends	-	-	(1,090)	-	-	-	-	-	(1,090)	-	(1,090)
Balance at 31 January 2021	**94**	**20**	**14,703**	**221**	**240**	**(51)**	**(704)**	**(3)**	**14,520**	**30**	**14,550**
Balance at 1 February 2021	**94**	**20**	**14,703**	**221**	**240**	**(51)**	**(704)**	**(3)**	**14,520**	**30**	**14,550**
Profit for the year	-	-	3,243	-	-	-	-	-	3,243	7	3,250
Distribute results	-	-	(283)	250	33	-	-	-	-	-	-
Distribute dividends	-	-	19	-	(19)	-	-	-	-	-	-
Transfers	-	-	(53)	-	-	-	53	-	-	-	-
Other movements	-	-	-	-	4	-	-	-	4	1	5
Argentina reexpresion	-	-	13	-	-	-	-	-	13	-	13
Other comprehensive income for the year	-	-	-	-	-	-	122	8	130	-	130
· Translation differences related to foreign operations	-	-	-	-	-	-	122	-	122	-	122
· Cash flow hedges	-	-	-	-	-	-	-	8	8	-	8
Operations with equity holders or owners	-	-	(2,180)	74	-	(71)	-	-	(2,177)	(12)	(2,189)
· Treasury shares	-	-	-	-	-	(71)	-	-	(71)	-	(71)
· Share-based collections	-	-	-	74	-	-	-	-	74	-	74
· Share-based payments	-	-	-	-	-	-	-	-	-	-	-
· Dividends	-	-	(2,180)	-	-	-	-	-	(2,180)	(12)	(2,192)
Balance at 31 January 2022	**94**	**20**	**15,462**	**545**	**258**	**(122)**	**(529)**	**5**	**15,733**	**26**	**15,759**

Notes to the consolidated annual accounts of the Inditex Group

To 31 January 2022

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A., (“the Group”, “the Group Inditex”, “the Company” or “the Parent”) for 2021 were prepared by the Board of Directors on 15 March 2022 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2020 were approved by the shareholders at the Annual General Meeting held on 13 July 2021.

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

Inditex’s financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2021 will hereinafter be referred to as “2020”, the twelve-month period ended 31 January 2022 as “2021”, and so on.

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

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

The separate annual accounts of the Parent (Inditex) for 2021 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2022, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2021 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

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

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

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.

- Gross operating profit (EBITDA): earnings before financial results, the result of companies accounted for using the equity method, taxes and depreciation and amortisation, calculated as the gross profit less operating expenses and other gains and losses, net.

- Net operating profit (EBIT): earnings before financial results, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortisation.

- Profit before taxes (PBT): calculated as EBIT less Financial results and Result of companies accounted for using the equity method.

Other alternative performance measures of performance are as follows:

- Return on capital employed (ROCE): defined as PBT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non-current assets, excluding the deferred tax assets, of the concept.

- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

- Working capital: defined as Inventories plus Receivables minus Current Payables in the Balance Sheet.

- Net financial position: defined as Cash and Cash Equivalents and Current financial investments less current and non-current financial debt, with explicit interest (without considering lease debt).

- Average net financial debt: defined as Current and non-Current Financial Debt with explicit interest (without considering lease debt), less Cash and Cash equivalents and Current financial investments (considered zero if the result is negative).

- Store operating profit: income generated by sales, both in stores and online, as well as all expenses directly attributable and necessary to generate said income.

- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut-off.

- Sales growth at constant exchange rates: year-on-year change in like-for-like sales growth, eliminating the exchange rate effect. This is defined as the calculation of sales in both periods, applying the exchange rate for the comparable period.

- Sales in comparable stores: those stores that have remained open continuously, without closures or refurbishments, throughout the entire period for comparison.

These annual financial statements have been prepared on a going concern basis, in the absence of doubts as to the Group's ability to continue its operations. The assessment that there are no material uncertainties affecting the Group's capacity to continue with its operations was based on the following information:

- The Group obtained positive results in 2021 overall and in all of its operating segments (Note 10).
- Performance forecasts for spring/summer 2022.
- The capacity to adapt the supply chain to changing conditions.
- The flexibility of the model based on sales channel integration.
- The capacity to manage the financial risks to which the Group is exposed (see Note 25 Financial risk management policy and financial instruments, relating to the impact of the pandemic on the Inditex Group's identified risks).
- The positive net financial position and the existence of sufficient undrawn financing facilities to fund the Group's activities.

Impacts of Covid-19

The activity and results of 2021 were be affected by the covid-19 pandemic. In the first quarter there were significant restrictions to the opening of markets that are important to the Group. The vaccination rollout and measures to reopen the economy implemented in most countries have, from the second quarter of 2021, enabled many of the restrictions imposed due to covid-19 to be lifted, thereby boosting the economic recovery and driving a resurgence of consumption. In the fourth quarter of the financial year, the emergence of a new, more contagious variant of the virus signalled the return of restrictions in some markets where the Group is present. Annex II Consolidated directors' report presents the income statement FY2021 quarterly results.

The pandemic also took its toll on supply markets and, as a result, the supply chain, in 2021 due to temporary factory closures, delayed deliveries, etc. The Group has continued to implement measures aimed at mitigating the impact by harnessing the inherent flexibility of its supply model based on proximity supplies and on a unique inventory position.

The technological infrastructure, digitalisation initiatives and integration of the physical and digital store on which the Group's integrated strategy hinges, have enabled it to continue to operate as normal in this context. Business model flexibility, efficient management of the integrated inventory, and control over operating expenses have been and continue to be crucial to the group's operational and financial performance in the period.

The comparison between 2021 and the previous year has been heavily affected by the pandemic, which in 2020 had a material impact on the majority of markets where the Group operated, as a result of lockdown measures and restricted mobility. Up to 90% of stores were closed in the first quarter of that year, and there were significant restrictions on store openings in the final months of 2020.

From a financial standpoint, the pandemic has led to greater volatility in some of the currencies to which the Group is exposed; however, its negative impact cannot be considered to be exceptional. Although the pandemic has resulted in a general credit crunch in the markets, especially at the beginning, the potential loss expected did not evolve significantly (see Note 25).

The main judgements and estimates used to measure certain items of the financial statements were updated to take into account the impact of the pandemic. Moreover, the specific impacts associated with the pandemic were recognised in the income statement of the year, as part of operating profit and loss:

- Rent concessions obtained from lessors were booked as negative variable lease payments (see Note 2.2.o).

- Costs linked to the increase in Group store and workplace health and safety measures form a part of operating expenses in accordance with their nature.

- Payments received in various countries from social security systems or other government departments in order to maintain employment and safeguard economic activity were booked reducing the amount of the expense they are aimed at offsetting.

The Group's long-term business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations. Accordingly, during the year, the Group has continued to implement the fully integrated store and online model based on three key strategic lines: digitalisation, integration of physical store and digital world, and sustainability.

Section 5.10 Responsible risk management of the Statement on Non-Financial Information includes a more detailed analysis of the pandemic's impacts on the various risks identified within the Inditex Group.

Material estimates and measurement of uncertainty

In preparing the consolidated annual accounts as at 31 January 2022 judgements and estimates were made in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Below are the estimates and assumptions most exposed to uncertainty:

- The assessment of possible impairment losses on certain non-current, non-financial assets. In determining the recoverable value of non-current assets (in accordance with the methodology described in note 2.2.f), estimates are made of the cash flows at cash-generating units (CGUs) for which purpose assumptions are made such as estimated sales growth at comparable stores, the performance of operating expenses and the gross margin of each of the CGUs. These estimates are based on the Group's prior experience and on macroeconomic indicators. Accordingly, these estimates are affected by uncertainty to the extent that they depend on the future performance of each cash-generating unit and on the possibility of there being events outside the Group's control in relation to the COVID-19 pandemic (such as mandatory temporary closures of physical stores for health reasons) or a general decline in the economic environment that worsens revenue forecasts.

- The determination of inventory costs and its net realizable value. In establishing the recoverable value of inventories (in accordance with the methodology described in note 2.2.h), estimates of net realisable value are used, based on assumptions linked primarily to the success of the collections, which determines sales performance, stock rotation, the volume of discounted units and the percentage discount. These estimates are affected by uncertainty to the extent that they depend on future events associated with the collections' commercial success.

- The judgements related to determination of the lease term, as well as the estimation of the discount rates applied in the measurement of the liability under IFRS 16.

- Assessment of counterparty credit risk of financial institutions in which the Group holds Cash and cash equivalents and Current financial investments.

The remaining estimates, judgements and assumptions considered in preparing these consolidated annual financial statements are as follows:

- The consideration of the online business in the model of the non-current assets impairment test.

- The useful life of property, plant and equipment, intangible assets and investment property.

- The fair value of certain assets, mainly financial instruments.

- The assumptions used in the actuarial calculation of liabilities for pensions and other obligations with employees.

- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The estimated recovery of deferred tax assets on the basis of the existences of future taxable profits.

The estimates take into account the risks arising from climate change, although given the nature of the Group's assets and the mitigation measures that it is implementing as part of its Sustainability strategy (see Note 31), this risk is not considered to have a material impact on the estimates of the useful lives of assets, the realisable value of inventories or the analyses in the impairment testing of non-financial assets.

These estimates were made using the best information available at the time of preparation of this consolidated annual accounts. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

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

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

1. Activity and description of the Group

Industria de Diseño Textil, S.A. with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a fashion global group of companies present in 5 continents, in both hemispheres, north and south.

Inditex is listed on all the four Spanish stock exchanges.

Its main activity consists of offering latest fashion trends (apparel, footwear, accessories and home textiles) with high quality and sustainability standards, at attractive prices and inspired in customer requirements.

This activity is carried out through different commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each format operates through an online and store 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, except in certain markets where, for several reasons, the business is carried out through franchises.

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

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

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

In order to offer the latest fashion trends at the right time, meeting high standards of sustainability and with the required quality, at Inditex we have developed an integrated and flexible business model that is clearly customer-oriented.

This model helps face business environment challenges. The strong competitiveness in the sector, driven by new technologies and an increasingly awareness of environmental challenges, defines a context with a constantly evolving customer profile.

Furthermore, geopolitical, demographic and socioeconomic changes in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could affect the optimal achievement of our business targets. Business can also be affected by potential consequences of climate change, which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

The internationalisation policy, the Group's multi-brand format, its sustainable production commitments and the support for total integration of channels and new technologies as alternatives for customer communication and sales, represent a means of risk diversification that mitigates our overall exposure to risks in the market.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The sales and design teams are strongly focused on the customer and firmly committed to sustainability in the processes and materials used in our products. The permanent contact with stores and online teams by our team of designers, through the Product Management Department, helps them to learn about customer preferences. In addition, their active promotion and search for more sustainable materials and production processes help to raise standards of quality and to reduce the social and environmental impact of our activity.

Manufacturing and procurement is based on a socially responsible management of the supply chain which ensures dignified working conditions for all the workers of suppliers and manufacturers. Our supply chain has a global presence, organised via 12 clusters of suppliers that concentrate 97% of total production (12 clusters and 97% of production in 2020), albeit with a very significant weighting of procurement in areas of proximity to the design centres. Accordingly, we have the capacity to adapt our commercial range to any change of trend that emerges, so as to adjust the number of garments to actual demand, a factor which has proved crucial in 2021 and 2020.

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every retail concept throughout every season. This system operates mainly with centralised logistics centres for every concept, where stocks are kept and which distribute the products to physical and online stores worldwide.

The people working in our Company make the sustained and sustainable development of this model possible: a diverse human team with 177 nationalities (171 nationalities in 2020), marked by its creative talent, its passion for fashion, teamwork, an enterprising spirit, permanent innovation and responsible effort.

The Group’s goal is to provide fashion products that meet the most demanding sustainability and health and safety criteria, built on respect and promotion of Human Rights, transparency and continuous dialogue with stakeholders.

At 31 January 2022, the various Group concepts had stores in operation with the following geographical distribution:

Number of stores

	Company Managed	Franchises	Total
Spain	1,229	38	1,267
Rest of Europe	3,044	156	3,200
Americas	601	156	757
Rest of the World	539	714	1,253
Total	**5,413**	**1,064**	**6,477**

At 31 January 2021, the geographical distribution of stores was as follows:

Number of stores			
	Company Managed	Franchises	Total
Spain	1,371	40	1,411
Rest of Europe	3,088	151	3,239
Americas	646	177	823
Rest of the World	631	725	1,356
Total	**5,736**	**1,093**	**6,829**

The majority of company-managed store premises are held under leases. Information on the main terms of the leases is provided in Note 15.

2. Selected accounting policies

2.1. Basis of consolidation

i) Subsidiaries

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

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

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

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

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

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

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

ii) Jointly controlled entities

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

iii) Harmonization of criteria

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

iv) Intra-Group eliminations

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

v) Translation of annual accounts denominated in foreign currencies

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

- Assets and liabilities are translated to euros at the exchange rates prevailing at the balance sheet date.

- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).

- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognised, while average exchange rates are used in those cases in which the application of this simplifying criteria does not generate significant differences.

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

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

vi) Annual accounts in hyperinflationary economies

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

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

In relation to the conversion to functional currency, a closing exchange rate of 118.00 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018.

Hyperinflation adjustment has not been significant in the Net Income attributed to the parent.

Following the recommendation of the IFRIC regarding the classification of translation differences prior to the consideration of Argentina as an hyperinflationary economy, these are classified under the heading Translation differences in the Statement of changes in equity.

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

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

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

viii) Changes in the scope of consolidation

Annex I details all the companies in the consolidation perimeter. In 2021, the following companies were merged:

Acquiring Company	Acquired Company
ITX CANADA, LTD	MASSIMO DUTTI CANADA, INC.
	ZARA HOME CANADA, INC.
INDITEX SLOVAKIA, S.R.O.	BERSHKA SLOVAKIA, S.R.O
	PULL & BEAR SLOVAKIA, S.R.O
	STRADIVARIUS SLOVAKIA, S.R.O.
	MASSIMO DUTTI SLOVAKIA, S.R.O.
	OYSHO SLOVAKIA, S.R.O.
ITX S, D.O.O	BERSHKA SLOVENIË
	MASSIMO DUTTI SLOVENIË
	PULL & BEAR SLOVENIË
	STRADIVARIUS SLOVENIIA
DENLLO, S.A.	SAMLOR, S.A.
GRUPO MASSIMO DUTTI, S.A.	UTERQÜE, S.A.
	UTERQÜE ESPAÑA, S.A.
	UTERQUE DISEÑO,S.L.
ITX HELLAS SINGLE MEMBER S.A.	PULL AND BEAR HELLAS SINGLE MEMBER S.A
	MASSIMO DUTTI HELLAS SINGLE MEMBER S.A
	BERSHKA HELLAS SINGLE MEMBER S.A.
	STRADIVARIUS HELLAS SINGLE MEMBER S.A.
	OYSHO HELLAS SINGLE MEMBER S.A.
	ZARA HOME HELLAS SINGLE MEMBER S.A.
	UTERQUE HELLAS SINGLE MEMBER S.A.
ITX NEDERLAND BV	MASSIMO DUTTI NEDERLAND, B.V.
	ZARA HOME NEDERLAND, B.V.
	BERSHKA NEDERLAND, B.V.
	PULL & BEAR NEDERLAND, B.V.
	STRADIVARIUS NEDERLAND, B.V.
ITX RETAIL IRELAND LIMITED	BERSHKA IRELAND, LTD
	MASSIMO DUTTI IRELAND, LTD
	PULL & BEAR IRELAND LIMITED
	STRADIVARIUS IRELAND LIMITED
	ZARA HOME IRELAND LIMITED

ITX ITALIA SRL	OYSHO ITALIA, S.R.L.
	BERSHKA ITALIA, S.R.L.
	MASSIMO DUTTI ITALIA, S.R.L.
	PULL & BEAR ITALIA S.R.L.
	ZARA HOME ITALIA, S.R.L.
	STRADIVARIUS ITALIA S.R.L.
	ZARA IMMOBILIARE ITALIA, S.R.L.
	ZARA VITTORIO 11 ITALIA, S.R.L.
	ZARA VITTORIO 13 ITALIA, S.R.L.
ITX LUXEMBOURG S.A.	ZARA LUXEMBOURG, S.A.
ZZARA COMMERCIAL (SHANGHAI) CO. LTD.	UTERQÜE COMMERCIAL & TRADING (SHANGHAI) CO.,LTD
ITX PORTUGAL - CONFECÇÕES, S.A.	PULL & BEAR (PORTUGAL) - CONFECÇOES, S.A.
	BERSHKA (PORTUGAL) - CONFECÇOES, S.A.
	ROBUSTAE - CONFECÇOES, S.A.
	SSTRADIVARIUS (PORTUGAL) - CONFECÇOES, S.A.
	OYSHO PORTUGAL - CONFECÇOES, S.A.
	ZARA HOME (PORTUGAL)-ARTIGOS E UTILIDADES PARA O LAR, S.A.
	GRUPUTERQUE PORTUGAL - CONFECÇOES E ACESSORIOS, S.A.
	ITALCO MODA ITALIANA, S.A.
INDITEX CESKÁ REPUBLIKA, S.R.O	PULL & BEAR CESKA REPUBLIKA, S.R.O.
	BERSHKA CESKA REPUBLIKA, S.R.O.
	STRADIVARIUS CESKA REPUBLIKA, S.R.O.
	MASSIMO DUTTI CESKA REPUBLIKA, S.R.O.
	ZARA HOME CESKA REPUBLICA, SRO
	OYSHO CESKA REPUBLICA, SRO
INDITEX ROMANIA, S.R.L.	ZARA HOME RO, S.R.L.
	STRADIVARIUS RO, S.R.L.
	BERSHKA CARPATI, S.R.L.
	MASSIMO DUTTI RO, S.R.L.
	PULL & BEAR RO, S.R.L.
	OYSHO RO, S.R.L.
	UTERQUE FASHION RO S.R.L.
ITX RS DOO BEOGRAD	PULL & BEAR SERBIA, D.O.O. BELGRADE
	MASSIMO DUTTI SERBIA, D.O.O. BELGRADE
	BERSHKA SERBIA, D.O.O. BELGRADE
	STRADIVARIUS SERBIA, D.O.O. BELGRADE
	OYSHO SERBIA, D.O.O. BELGRADE
	ZARA HOME SRB DOO BEOGRAD
ITX SVERIGE AB	MASSIMO DUTTI SVERIGE, AB.
	ZARA HOME SVERIGE AKTIEBOLAG
	PULL & BEAR SVERIGE, AB
	OYSHO SVERIGE, AB
INDITEX UKRAINE LLC	PULL & BEAR UKRAINE, LLC.
	MASSIMO DUTTI UKRAINE, LLC.
	BERSHKA UKRAINE, LLC.
	STRADIVARIUS UKRAINE, LLC.
	OYSHO UKRAINE, LLC.
	ZARA HOME UKRAINE, LLC.
	LIMITED LIABILITY COMPANY "UTERQUE UKRAINE"

2.2. Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2021

During fiscal year 2021, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2021:

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments, IFRS 4 Insurance Contracts and IFRS 16 Leases: Information for disclosure. These amendments provide specific guidance on the recognition of financial assets and liabilities whose basis for determining contractual cash flows changes as a result of the Benchmark Interest Rate Reform.

- Amendment to IFRS 4 which extends the obligatory application of IFRS 9 until 1 January 2023.

- Amendment to IFRS 16 Leasehold Improvements. This amendment extends the time limit for the processing of rent concessions obtained as a result of covid-19 until 30 June 2022. Mandatory, retroactive to 1 January 2021, as from 1 April 2021.

The application of these amendments and/or interpretations did not have a material effect on the Group's consolidated annual accounts for 2021.

Standards and amendments issued and approved for application in the EU in reporting periods beginning on or after 1 January 2022

At the date of preparation of these consolidated annual accounts, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2022:

- Amendments to IFRS 3 Business Combinations, updating the definitions of assets and liabilities in a business combination in line with the contents of the Conceptual Framework, adding new disclosure requirements in connection with the obligations set forth in IAS 37 Provisions, Contingent Liabilities and Contingent Assets in the framework of a business combination and explicitly prohibiting the recognition of contingent assets in a business combination.

- Amendment to IAS 16 – Property, Plant and Equipment, prohibiting a company from deducting from the acquisition cost of property, plant and equipment any amounts received while the company is preparing the asset for its intended use.

- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent assets, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

- Annual improvements to the 2018-2020 cycle: Establishing minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

- IFRS 17 - Insurance Contracts, and amendments thereto. It replaces IFRS 4, setting out the principles of registration, valuation, presentation and disclosure of insurance contracts to enable the entity to provide relevant and reliable information that allows users of the information to determine the effect that the contracts have on financial statements. Mandatory in the years beginning on 1 January 2023.

- Amendment to IAS 1 Presentation of Financial Statements, enabling entities to adequately identify the disclosures of the material accounting policies that must be provided in the financial statements. Mandatory in the years beginning on 1 January 2023.

- Amendment to IAS 8 Accounting Policies, changes in accounting estimates and errors, modifying and clarifying certain aspects regarding what should be understood by a change in an accounting estimate. Mandatory in the years beginning on 1 January 2023.

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

Standards issued and pending approval for use in the European Union

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

- Amendment to IAS 1 Presentation of Financial Statements modifying and clarifying certain aspects of the classification of liabilities as current and non-current. Mandatory in the years beginning on 1 January 2023.

- Amendment to IAS 12 Income Taxes, clarifying how companies account for deferred tax on transactions such as leases and decommissioning obligations. Mandatory in the years beginning on 1 January 2023.

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

Exposure drafts and other matters in relation to Reporting Standards

Exposure draft of a new standard 'General Presentation and Disclosures' in accordance with International Standards

In December 2019, the IASB published an Exposure draft of a new standard 'General Presentation and Disclosures' in accordance with International Standards in order to improve the transparency and comparability of financial reporting under IFRS. The main aspects of this reform are mandatory inclusion of defined subtotals and categories in the income statement, determination guidelines for the presentation of the income statement by function or type, disclosure of unusual results in the notes and inclusion of certain mandatory disclosures in relation to alternative performance measures. Although this IASB initiative is still in the early exposure phase, if it is eventually approved for mandatory use, its application will imply substantial changes in the presentation of the consolidated income statement and in other information included in the Notes.

a) Translation of foreign currency balances and transactions

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

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

b) Property, plant and equipment

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

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

The estimated average useful lives are as follows:

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

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

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

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

c) Other intangible assets

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

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

d) Financial investments

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

e) Investment property

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

f) Impairment of non-current assets

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

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwil

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country), as is the case of flagship stores and corporate assets. Flagship stores are those whose characteristics (basically their being in premium locations) globally contribute to the overall set of the same brand's cash-generating units located in the country. For the impairment test, flagship stores are considered together with the other cash-generating units of a single concept and country.

Corporate assets essentially refer to the distribution centres, and the impairment tests are performed grouping together the cash generating units of each operating segment.

The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

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

In determining the assets with each CGU, the Group includes the net carrying amount of property, plant and equipment and intangible assets associated with that CGU, and the rights of use stemming from the lease agreements. Directly-related lease liabilities are not taken into account when determining the carrying amount of the CGU. Hence, in order to ensure consistency, the lease payments associated with this liability are not treated as cash outflows in calculating the cash flows associated with each CGU. In previous years, lease liabilities were considered in the determination of the carrying amount of the CGU and the associated lease payments in the calculation of the cash flows of each CGU. The change in the calculation of the recoverable amount by disregarding the lease liability and lease payments has not had a material impact on the asset impairment for the year.

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

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

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market. Taking into account the Group's business model, online sales and the associated costs by concept/country are attributed proportionately to the cash-generating units of the concept/country.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 30-year bonds issued by the governments in the relevant markets (or similar instruments, if no 30-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

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

	2021 Average	2020 Average
Spain	7.29%	8.36%
Rest of Europe	8.34%	9.45%
Americas	12.17%	13.82%
Asia and rest of the world	7.17%	8.70%

Although the Group's business and profits for the year 2021 and 2020 have been affected by the pandemic, its long-term business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations.

In testing the impairment of fixed assets, the key assumptions on which the budgets and business plans are built have been updated with the most recent information available, which factors in the uncertainty generated by the COVID-19 pandemic in relation to the temporary restrictions on sales in physical stores in certain countries, the demand for the products sold by the Group and other considerations affecting the estimated operating margin of each of the cash-generating units.

The results obtained from the 2021 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Notes 13, 14 and 15 to the consolidated annual accounts relating to property, plant and equipment, other intangible assets and leases.

The related charge for the period amounting to 52 million euros (172 million euros in 2020, including the related charge from retail area of streamlining plan) (see Notes 7, 13, 14 and 15) is due primarily to the impairment corresponding to the closures scheduled and the impairment calculated based on the methods described previously.

Impairment losses reversed in the period amounting to EUR 70 million (EUR 14 million in 2020) (see Notes 7, 13, 14 and 15) correspond to those CGUs for which impairment had been recognised in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior years are fully or partially reversed.

In addition, the Group has performed a sensitivity analysis on the result of the impairment test in the light of the following assumptions:

- A 100 basis point increase in the discount rate.
- A 5% reduction on future flows.

The sensitivity analysis evidences the existence of an additional asset impairment amounting to EUR 2 million and EUR 6 million for each assumptions, respectively.

Impairment of goodwill

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

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

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

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2021 and 2020 did not give rise to the recognition of any impairment loss on goodwill.

In addition, the Group has performed a sensitivity analysis similar to the one described in the section on non-current fixed assets.

This sensitivity analysis does not imply any additional impairment in 2021.

Reversals of impairment losses

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

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

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

g) Trade and other receivables

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

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

h) Inventories

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

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

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

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

At each accounting close, the Group calculates the provision corresponding to the inventories that are estimated to be sold below their acquisition price. This provision is made for each campaign and for each retail concept.

Net realisable value is understood to be:

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

- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.

- Finished goods for sale: estimated selling price in the normal course of business. In this regard, the Group’s goods are sold in stores and online. In addition, and to a very limited extent, goods not sold in the stores or online are sold via third parties.

The prices of goods vary throughout their commercial life, especially during sales season, when a portion of the various collections are sold at a discount.

To determine net realisable value, all costs necessary for the realisation of the sale, both incremental and direct costs specific to the realisation of the sale, are taken into account. In this regard, the Group does not have notable direct and specific costs linked to the sale of provisioned items. However, the Group has indirect selling costs such as staff or store lease expenses; following an accounting treatment similar to that of IAS 36 (definition of ‘costs of disposal’) and IFRS 5 (definition of ‘costs to sell’), the Group considers that these costs should not be taken into account in the determination of the net realisable value provision, as they are not considered direct and specific costs.

Furthermore, the determination of net realisable value is influenced by the evolution of various commercial variables, linked primarily to the success of the collections, which determines sales performance, stock rotation, the volume of discounted units and the discount percentage.

The Group's methodology for estimating the performance of these commercial variables is based on historical information, the actual performance of the current collection up to the date on which the aforementioned estimates are made and the forecasts for the end of the campaign, i.e. not only the performance of the different commercial variables of similar campaigns in previous years but also the actual data and forecasts of how the current campaign will develop in order to assess and consider the impacts associated with possible deviations from historical performance. This analysis is carried out for each concept to ensure maximum reliability of the estimates.

i) Cash and cash equivalents

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

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

j) Employee benefits

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

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

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

k) Provisions and contingent liabilities

Provisions are recognised in the balance sheet when:

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

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

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

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

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

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

l) Financial instruments

Financial assets

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

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

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss. The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the years 2021 and 2020 of the effective interest rate method is not relevant.

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

Impairment of financial assets

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

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

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

Otherwise, the Group would recognize the expected loss during the life of the financial asset. In such case, interest is calculated on the gross value of the financial asset. Additionally, if after the significant increase in credit risk, objective evidence of impairment of the financial asset is shown, interest is calculated considering the value of the financial asset, net of the recognised impairment. On the other hand, it is considered that a financial asset is unpaid when its expiration date has not been reimbursed.

To measure credit losses expected at 12 months on financial instruments other than trade receivables (see Note 25) a methodology is used based on probability of default (PD), loss given default (LGD) and exposure at default (EAD), using market information. This methodology enables expected credit losses from the counterparty to be measured at the time of the initial recognition of the financial assets and allows it to be determined whether, at each accounting close date, there has been a significant increase in the risk of these financial assets or if the counterparty has incurred in default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the counterparties' estimated credit losses. The estimated impairment loss is not significant, since almost all financial assets have a low risk.

In turn, for accounts receivable of commercial origin (see Note 11), the Group has a methodology analogous to the one described above (Note 25), although in this case the measurement of credit risk of the counterparties is based on factors that affect the ability of debtors to meet payment obligations, such as factors of the economic environment where they operate or the history of defaults of the counterparty with the Group.

Likewise, a commercial debtor is considered to have incurred non-payment when it has not met its obligations at maturity, in which case a provision is established based on seniority for the past due balances held with said debtor.

Derecognition of financial assets

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

m) Derivatives and hedging operations

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

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

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

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

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

Level 1

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

Level 2

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

Level 3

Unobservable inputs for the asset or liability.

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

Level 2 instruments

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

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

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

Foreign currency forwards

Fair value measurement

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

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

Cross-currency swaps

Fair value measurement:

Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.

The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.

The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Options purchased

Fair value measurement:

The determination of the fair value of the ("Plain Vanilla") options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the price of the underlying, the strike price, the time to maturity and the volatility of the underlying. The credit adjustment is carried out by direct discounting with credit spread method curves.

n) Revenue recognition

Proceeds from the sale of goods to final customers are recognised when the customer makes the purchase. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised when control of the goods is transferred to the franchises. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

Rental income is recognised on a straight-line basis, in accordance with the contractual accrual established.

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

There are no significant contracts with financing components.

o) Leases

The Group actively manages a large number of lease contracts (more than 7,000 contracts).

The leases recognised in which the Group acts as the lessee relate mainly to the premises where the stores are located. It has also been determined that certain contracts for logistics services are leases based on the terms of said contracts which grant the Group exclusive access to the logistics facilities where these services are provided.

The contracts are very heterogeneous and the clauses agreed depend to a large extent on the market, the concept, the lessor, the specific location, whether they are in shopping centres or are street level stores, etc.; in short, they depend on each location and lessor, although the Group's policy is to always seek maximum flexibility (for example, through the absence of mandatory compliance periods and penalties, the longest possible extension options, variable payments that depend on the performance of the leased asset, etc.).

At the start date of each contract, the Group assesses whether a contract is or contains a lease. For those contracts that qualify as such, the Group recognises a liability for the present value of the lease payments known at the inception of the lease to be made over the term of the lease and an asset for the right to use the underlying asset over the lease term. Rights of use assets are measured at cost (which includes initial direct costs incurred, any lease payments made before or at the inception of the lease less incentives received) less accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The rights of use are amortised on a straight-line basis over the term of the lease.

Lease incentives include amounts received from shopping centre developers or owners of commercial premises as consideration for entering into a lease contract. They mainly correspond to amounts for refurbishing the leased premises to ready them for their intended use (contributions to construction work).

In the case of leases with fixed rents or guaranteed minimum rents, the contributions to construction work diminish the right-of-use asset, whereas in the case of leases with variable rents (for which a right-of-use asset is not previously recognised), these contributions are recognised as a non-current liability under “Other non-current liabilities - Lease incentives” and the portion expected to be taken to income in the following year as a current liability under “Trade and other payables”. These contributions linked to variable rental lease contracts are credited to income as a reduction in lease expenses under “Operating expenses” over the lease term.

The right to use the asset is presented under the “Rights of use” heading in the consolidated balance sheet.

The lease liability is initially measured at the present value of the known lease payments, except for those made before or at the commencement date of the contract. The present value of the lease liability is determined using an incremental interest rate by country, term and currency, based on the type of assets leased.

The lease payments included in the liabilities comprise:

- Fixed payments (including fixed payments in essence), less any incentive to lease receivables;
- Variable lease payments, which depend on an index or rate;
- Amounts the lessee expects to pay as residual value guarantees;
- The exercise price of a call option if the lessee is reasonably sure of exercising that option;
- Payments for penalties resulting from lease termination, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

Variable lease payments, which do not depend on an index or rate, are not included in the measurement of the lease liability and or of the right-of-use asset, and are recorded as an operating expense as they accrue.

The contingent rents, common expenses and other expenses related to the lease do not form part of the determination of the lease liability and of the right of use, and are recognised as an expense in the income statement on an accrual basis.Fixed-rent payments are replaced by the depreciation of the right of use and the interest recognised over the lease liability.

The lease liability is presented in two separate lines on the consolidated Balance sheet, "Long-term lease liability" for the liability to be settled over a period exceeding 12 months and "Short-term lease liability" for the portion to be settled in the next 12 months.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes the corresponding adjustment to the right of use) when:

- There is a change in the term of the lease or a significant change in facts and circumstances that results in a change in the assessment of the exercise of an extension option, in which case the lease liability is measured by discounting the revised payments at the revised discount rate.

- A change in future lease payments results from a change in an index or a change in the expected payables related to a residual value guarantee, in which case the lease liability is measured by discounting the changed payments at the discount rate before the change.

- A lease is amended and the amendment is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments at a revised discount rate.

The Group applies the exemption relating to leases whose underlying asset is considered to be of low value. For these contracts, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the contract.

The Group applies IAS 36 to determine whether the right to use the asset is impaired, following the procedures described in section f) "Impairment of non-current assets" of this note on accounting principles. In particular, the right of use arising under a lease agreement is deemed to be an asset of the cash-generating unit with which it is associated.

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

There is also considerable diversity in the terms agreed in the lease contracts, although the Group's policy is always to seek maximum flexibility with short or even non-existent mandatory periods and unilateral extension options for the Group that are as long as possible.

The mandatory term agreed in lease contracts averages less than 3 years. After these non-cancellable periods, the Group can terminate the contract simply by means of notice, generally of between 6 months and one year.

To determine the lease term there is an assessment of whether the lessee has reasonable certainty that they will exercise the lease extension option, or that they will not exercise the option to terminate the lease. The Group determines the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is reasonable certainty of execution, and for which the following aspects are considered:

- The costs related to contract termination. There are generally no penalties for contract termination, other than the payment of fixed rents for non-cancellable periods, and there are no residual value guarantees.

- The importance of the leased asset for the Group's operations. The assets leased (individually) are not critical to the Group's operations, although there are certain key locations which contribute to the Group's image (flagship stores) or in which very significant investments have been made, where the degree of certainty regarding the execution of extension options or non-execution of cancellation options is higher.

- The conditions to be complied with in order to exercise or not exercise the options. Generally the required conditions are of an administrative nature, such as the deadline by which the intention to exercise the option needs to be notified, etc.

- The historical experience and the business plans approved by the Group's management, which generally cover a 3-year period. These business plans consider the Group's strategic lines in order to anticipate and adapt to the transformation process currently underway in the sector as a result of the development of online sales. The Group periodically reviews these business plans and incorporates, among others, initiatives relating to the stores it plans to absorb or refurbish.

As mentioned above, the Group has a wide variety of lease contracts and has performed a case-by-case analysis to determine the contractual term in each case. This analysis shows that the terms of leases varies widely, in a range of between 2 and 18 years. Stores earmarked for closure are not included in the above range and the term is adapted to the estimated date of closure.

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

	2021	2020
Spain	0.23%	0.63%
Rest of Europe	0.91%	0.94%
Americas	3.80%	3.53%
Asia and rest of the world	2.03%	2.86%

As stated above, the Group performs very active management of its lease agreements, which leads to a high volume of additions, removals and contractual amendments. These amendments will add an additional variability factor to the Group's trading figures.

The Group has no relevant commitments as lessee in respect of uncommenced leases or residual value guarantees. The Group has no material lease commitments for which it does not yet have the underlying asset at its disposal for use. In general, the lease contracts do not contain any restrictions or covenants with lessors other than those generally governing this type of contract.

During the financial years 2021 and 2020, as a result of rental renegotiations linked to COVID-19, the Group has applied to all rent concessions the practical expedient introduced by the amendment to IFRS 16 – Leases – concerning the accounting of rent concessions. The amount recognised in this connection in the consolidated income statement for the years 2021 and 2020 were 203 and 317 million euros, respectively.

p) Finance income and costs

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

q) Income tax

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

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

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

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

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

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

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

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

r) Current and non-current assets and liabilities

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

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

s) Treasury shares

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

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

t) Grants

When relating to expenses in the year (such as the partial or total payment of salaries or social security contributions during the months of lockdown), grants are accounted for as a reduction in expense in the year under the heading which resulted in their recognition.

3. Net Sales

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

The detail of this line item in 2021 and 2020 is as follows:

	2021	2020
Net sales in company-managed stores and online	25,302	18,816
Net sales to franchises	2,150	1,397
Other sales and services rendered	264	189
Total	**27,716**	**20,402**

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

4. Cost of sales

The detail of this line item in 2021 and 2020 is as follows:

	2021	2020
Raw materials and consumables	12,623	9,066
Change in inventories	(773)	204
Change in provisions	52	(257)
Total	**11,902**	**9,013**

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

5. Operating expenses

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

	2021	2020
Personnel expenses	4,179	3,376
Operating leases (Note 15)	519	181
Other operating expenses	3,898	3,250
Total	**8,596**	**6,807**

The detail of "Personnel costs" is as follows:

	2021	2020
Wages, salaries and similar	3,498	2,765
Social contributions	681	611
Total	**4,179**	**3,376**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2022 is as follows:

	Gender		
Categories	W	M	Total
Manufacturing and logistics	4,501	5,666	10,167
Central services	6,868	4,415	11,283
Stores	113,624	29,968	143,592
Total	**124,993**	**40,049**	**165,042**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2021 is as follows:

	Gender		
Categories	W	M	Total
Manufacturing and logistics	4,207	5,405	9,612
Central services	6,637	4,207	10,844
Stores	98,479	25,181	123,660
Total	**109,323**	**34,793**	**144,116**

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

	2021	2020
Indirect Selling Expenses	2,514	1,918
Administrative Expenses	516	504
Maintenance, Repairs and Utilities	609	577
Other	259	250
Total	**3,898**	**3,250**

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

6. Other losses and income, net

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

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

a) Subsidiary domiciled in South Korea

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

b) Subsidiary domiciled in South Africa

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

7. Amortisation and depreciation

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

	2021	2020
Amortisation and depreciation charge (Note 13, 14 and 15)	2,848	2,742
Variation in impairment losses (Note 13, 14 and 15)	(18)	158
Profit/(loss) on assets	61	145
Other	10	-
Total	**2,901**	**3,045**

8. Financial results

The detail of "Financial Results" in the consolidated income statement for 2021 and 2020 is as follows:

	2021	2020
Finance income	4	6
Foreign exchange gains	43	36
Lease foreign exchange gains	1	-
Total income	**48**	**42**
Finance costs	(21)	(8)
Lease finance costs (Note 15)	(92)	(120)
Foreign exchange losses	(71)	(43)
Lease foreign exchange losses	(6)	(11)
Total expenses	**(190)**	**(182)**
Total	**(142)**	**(139)**

Finance income and costs comprise mainly (excluding Lease finance costs), the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are settled or measured in accordance with the applicable accounting principles.

9. Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 23), which totalled 3,113,570,977 in 2021 and 3,114,856,963 in 2020.

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

As of 31 January 2022, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 23), the calculation of diluted earnings per share would result in an amount of EUR 1.040 per share (0.355 as of 31 January 2021).

10. Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular retail concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by retail concept and geographical area.

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

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and to Group Management.

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

The Inditex Group segment information is as follows:

2021

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	19,714	2,178	5,955	(131)	27,716
Profit before taxes	2,838	330	991	39	4,199
Amortisation and depreciation	2,040	233	623	5	2,901
Segment total assets	23,693	1,426	3,826		28,945
ROCE	25%	32%	37%		28%
Number of stores	2,489	971	3,017		6,477

2020

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	14,234	1,773	4,503	(107)	20,402
Profit before taxes	965	112	316	7	1,401
Amortisation and depreciation	2,029	265	753	(2)	3,045
Segment total assets	21,370	1,266	3,782		26,418
ROCE	9%	11%	11%		10%
Number of stores	2,653	1,005	3,171		6,829

For presentation purposes Inditex has grouped the reporting of Zara and Zara Home due to the existing synergies between both concepts. The goal is to leverage the operational and brand management impact of the combined store and online platform.

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model. This segment includes the Uterqüe retail concept, which has been integrated into Massimo Dutti during the year. This integration process has not have significant impact on the Group's income statement for 2021.

For the purpose of reconciliation with the consolidated financial statements, the sales to third parties relate to "Net sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the consolidated income statement. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group Management. Inter-segment transactions are carried out on an arm's length basis.

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

The ROCE and ROE are calculated as defined in the initial Note to these consolidated annual accounts.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products. Zara Home sells fashionable household products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

10.1. Geographical reporting

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

	Net Sales		Non-current assets	
	2021	2020	31/01/2022	31/01/2021
Spain	4,267	3,229	4,657	4,449
Rest of Europe	14,051	10,430	5,901	6,068
Americas	4,877	2,763	2,051	2,032
Asia and rest of the world	4,521	3,980	1,215	1,255
Total	**27,716**	**20,402**	**13,824**	**13,805**

11. Trade and other receivables

The detail of this line item at 31 January 2022 and 2021 is as follows:

	31/01/2022	31/01/2021
Trade receivables	267	255
Receivables due to sales to franchises	242	177
Public entities	251	199
Other current receivables	82	85
Total	**842**	**715**

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

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

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

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 15) and outstanding balances from sundry operations.

12. Inventories

The detail of this line item at 31 January 2022 and 2021 is as follows:

	31/01/2022	31/01/2021
Raw materials and consumables	199	146
Goods in process	59	34
Finished goods for sale	2,784	2,142
Total	**3,042**	**2,321**

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

13. Property, plant and equipment

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

	Land and buildings	Fixtures, furniture and machinery	Other property, plant and equipment	Work in progress	Total
Cost					
Balance at 01/02/2020	2,308	11,773	879	219	15,179
Acquisitions	27	416	129	118	690
Hyperinflation adjustments	1	7	-	-	8
Disposals (Note 7)	(23)	(737)	(139)	-	(899)
Transfers	4	74	9	(86)	2
Foreign exchange translation differences	(54)	(446)	(35)	(3)	(538)
Balance at 31/01/2021	**2,263**	**11,086**	**844**	**248**	**14,442**
Balance at 01/02/2021	2,263	11,086	844	248	14,442
Acquisitions	7	726	195	106	1,034
Hyperinflation adjustments	2	11	1	-	14
Disposals (Note 7)	(12)	(700)	(145)	-	(857)
Transfers	(3)	163	5	(171)	(6)
Foreign exchange translation differences	46	170	9	2	227
Balance at 31/01/2022	**2,303**	**11,456**	**909**	**185**	**14,854**
Depreciation					
Balance at 01/02/2020	456	5,851	442	-	6,749
Depreciation charge for the year (Note 7)	42	805	185	-	1,032
Hyperinflation adjustments	-	5	-	-	6
Disposals (Note 7)	(20)	(558)	(129)	-	(706)
Transfers	(1)	-	-	-	(1)
Foreign exchange translation differences	(8)	(217)	(20)	-	(245)
Balance at 31/01/2021	**470**	**5,887**	**478**	**-**	**6,835**
Balance at 01/02/2021	470	5,887	478	-	6,835
Depreciation charge for the year (Note 7)	41	800	198	-	1,039
Hyperinflation adjustments	1	8	1	-	10
Disposals (Note 7)	(5)	(556)	(137)	-	(698)
Transfers	(1)	(1)	-	-	(2)
Foreign exchange translation differences	6	96	8	-	110
Balance at 31/01/2022	**512**	**6,234**	**548**	**-**	**7,294**
Impairment losses (Note 2.2-f)					
Balance at 01/02/2020	-	76	(1)	-	75
Charge for the year (Note 7)	-	166	7	-	172
Amounts charged to profit or loss (Note 7)	-	(14)	-	-	(14)
Disposals (Note 7)	-	(22)	(3)	-	(24)
Transfers	-	1	-	-	-
Foreign exchange translation differences	-	(3)	-	-	(3)
Balance at 31/01/2021	**-**	**203**	**2**	**-**	**206**
Balance at 01/02/2021	-	203	2	-	206
Charge for the year (Note 7)	-	36	-	-	36
Amounts charged to profit or loss (Note 7)	-	(68)	-	-	(68)
Disposals (Note 7)	-	(102)	-	-	(102)
Transfers	-	4	-	-	4
Foreign exchange translation differences	-	3	-	-	3
Balance at 31/01/2022	**-**	**76**	**2**	**-**	**79**
Carrying amount					
Balance at 31/01/2021	**1,793**	**4,996**	**363**	**248**	**7,401**
Balance at 31/01/2022	**1,791**	**5,146**	**359**	**185**	**7,481**

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

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

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities, and include the net carrying amount of 18 million euros for the stores where the Uterqüe brand had been operating and which at 31 January 2022 were closed.

Inditex decided to absorb between 1,000 and 1,200 stores during 2020 and 2021. The plan included 500-600 units each year. The streamlining plan is focussed on stores at the end of their useful life, especially those in the younger formats, whose sales can be recuperated in local shops and online. The impact of this initiative was 146 million euros and it was included under the heading "Amortisation and depreciation" on the income statement for the year 2020.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,970 million and EUR 1,942 million at 31 January 2022 and 31 January 2021, respectively.

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

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

Likewise, standard measurement criteria are established at corporate level which enable the different risks to which the Group is exposed to be quantified and the assessment policies implemented for insurance purposes to be defined.

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

14. Other intangible assets

"Other Intangible Assets" includes basically amounts paid for the registration and use of Group brand names, industrial designs of garments, footwear, accessories and household goods created during the year, the cost of software applications and the intellectual property costs.

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

The detail of the items comprised under this paragraph in the consolidated balance sheet and of the changes therein in 2021 and 2020 is as follows:

	Patents and similar intangibles	Software	Other intangible assets	Total
Cost				
Balance at 01/02/2020	33	463	207	702
Acquisitions	2	134	81	217
Disposals (Note 7)	-	(19)	(90)	(109)
Foreign exchange translation differences	-	-	-	-
Balance at 31/01/2021	**35**	**578**	**197**	**810**
Balance at 01/02/2021	35	578	197	810
Acquisitions	3	214	285	502
Disposals (Note 7)	-	(9)	(247)	(256)
Foreign exchange translation differences	-	-	(1)	(1)
Balance at 31/01/2022	**38**	**783**	**234**	**1,055**
Amortisation				
Balance at 01/02/2020	22	175	95	292
Amortisation charge for the year (Note 7)	2	90	91	183
Disposals (Note 7)	-	(19)	(90)	(109)
Transfers	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at 31/01/2021	**24**	**246**	**96**	**366**
Balance at 01/02/2021	24	246	96	366
Amortisation charge for the year (Note 7)	2	100	253	355
Disposals (Note 7)	-	(9)	(247)	(256)
Transfers	-	-	1	1
Foreign exchange translation differences	-	-	-	-
Balance at 31/01/2022	**26**	**337**	**103**	**466**
Carrying amount				
Balance at 31/01/2021	**10**	**332**	**102**	**444**
Balance at 31/01/2022	**12**	**446**	**131**	**589**

The Group capitalized EUR 214 million in 2021 (EUR 134 million in 2020) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 285 million (EUR 81 million in 2020) for industrial design development, intellectual property and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

15. Leases

15.1 Right of Use Assets

This heading records the measurement of the right to use the asset underlying the lease contracts during the term of the contract, for those contracts in which the Group is the lessee.

Cost	
Balance at 01/02/2020	7,571
Acquisitions	1,351
Disposals (Note 7)	(305)
Transfers	-
Foreign exchange translation differences	(267)
Balance at 31/01/2021	**8,350**
Balance at 01/02/2021	8,350
Acquisitions	1,422
Disposals (Note 7)	(533)
Transfers	-
Foreign exchange translation differences	175
Balance at 31/01/2022	**9,414**
Amortisation	
Balance at 01/02/2020	1,528
Amortisation charge for the year (Note 7)	1,532
Disposals	(105)
Transfers	-
Foreign exchange translation differences	(82)
Balance at 31/01/2021	**2,873**
Balance at 01/02/2021	2,873
Amortisation charge for the year (Note 7)	1,454
Disposals	(220)
Transfers	(4)
Foreign exchange translation differences	68
Balance at 31/01/2022	**4,171**
Impairment losses	
Balance at 01/02/2021	-
Charge for the year (Note 7)	16
Amounts charged to profit or loss (Note 7)	(2)
Transfer	4
Foreign exchange translation differences	1
Balance at 31/01/2022	**19**
Carrying amount	
Balance at 31/01/2021	**5,477**
Balance at 31/01/2022	**5,224**

The Group leases commercial premises in which it carries out its business activity. New items for the year relate to additions amounting to 298 million euros (137 million euros in 2020) and amounts associated with revaluations and renegotiations of contracts modifying the term and/or future rents amounting to 1,124 million euros (1,214 million euros in 2020).

15.2 Lease liabilities

The breakdown of lease liabilities is as follows:

	31/01/2022	31/01/2021
Non-current	4,262	4,599
Current	1,562	1,552
Total	**5,824**	**6,152**

The breakdown of maturity is as follows:

	2021			2020		
	Less than one year	One to five years	Over five years	Less than one year	One to five years	Over five years
Breakdown of maturity	1,562	3,674	588	1,552	3,803	797

15.3 Other information

Amounts recognized in the consolidated income statement:

	2021	2020
Amortisation Right of Use (Note 7)	1,454	1,532
Lease finance cost (Note 8)	92	120
Variable rent payments (Note 5)	450	294
Others * (Note 5)	69	(113)

* Including mainly Common Expenses, other lease services and the rent concessions obtained pursuant to application of the practical expedient introduced by the amendment to IFRS 16

Some of the Group's commercial premises leases contain conditions for the payment of variable rent that are linked to the sales generated in such stores, such that the payment for the lease is linked to the development of the store. Variable rent in these stores amounted to EUR 387 million (EUR 225 million in 2020). The expense for leases to which the low value exemption has been applied is not significant.

The amount of income from leasing and subleasing is not significant.

16. Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2021 and 2020 is as follows:

	2021	2020
Opening balance	201	207
Acquisitions	-	-
Foreign exchange translation differences	1	(6)
Closing balance	**202**	**201**

Investee	2021	2020
Stradivarius España, S.A.	53	53
Itx Portugal - Confecções, S.A.	51	51
Zara Polska, S.p. Zo.o.	34	34
Massimo Dutti Benelux, N.V.	20	20
Massimo Dutti Mexico, S.A. de C.V.	12	11
Itx S, D.O.O	9	9
Zao Zara CIS	10	10
Resto	13	13
Closing balance	**202**	**201**

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

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

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

17. Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2021 and 2020 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2020	1	246	2	249
Acquisitions	-	33	-	33
Disposals	-	(12)	-	(12)
Transfers	-	(8)	-	(8)
Foreign exchange traslation differences	-	(2)	-	(2)
Balance at 31/01/2021	**-**	**258**	**2**	**261**
Balance at 01/02/2021	-	258	2	261
Acquisitions	-	58	-	58
Disposals (Note 27)	-	(25)	-	(25)
Transfers	9	-	-	9
Foreign exchange translation differences	-	4	-	4
Balance at 31/01/2022	**9**	**295**	**2**	**307**

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

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

18. Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2021 and 2020 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2020	378	78	456
Acquisitions	6	-	6
Disposals	(42)	-	(42)
Transfers	(4)	(22)	(26)
Foreign exchange translation differences	(9)	(4)	(13)
Balance at 31/01/2021	**329**	**51**	**380**
Balance at 01/02/2021	329	51	380
Acquisitions	6	2	8
Disposals	(54)	-	(54)
Transfers	5	(2)	3
Foreign exchange translation differences	4	(1)	3
Balance at 31/01/2022	**290**	**50**	**340**

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 15), and to amounts paid to secure compliance with contracts in force.

19. Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2022 and 2021 is as follows:

	31/01/2022	31/01/2021
Trade payables	4,636	3,436
Personnel	569	279
Public entities	490	485
Other current payables	504	459
Total	**6,199**	**4,659**

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

	2021	2020
	Days	
Average period of payment to suppliers	41.84	38.57
Ratio of transactions settled	42.39	38.86
Ratio of transactions not yet settled	35.48	35.41
	Amount	
Total payments made	3,705	3,158
Total payments outstanding	324	286

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

20. Net financial position

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

	31/01/2022	31/01/2021
Cash in hand and at banks	3,588	4,567
Short-term deposits	2,388	2,131
Fixed-income securities	1,045	700
Total cash and cash equivalents	**7,021**	**7,398**
Current financial investments	2,374	176
Current financial debt	(35)	(11)
Non-current financial debt	(1)	(3)
Net financial position	**9,359**	**7,560**

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

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

The detail of the Group's bank borrowings and other financial operations is as follows:

	31/01/2022			31/01/2021		
	Current	Non-current	Total	Current	Non-current	Total
Loans	34	-	34	7	-	7
Other Financial operations	1	1	2	4	3	7
Total	**35**	**1**	**36**	**11**	**3**	**14**

At 31 January 2022 the Group had a limit of 7,665 million euros on its drawable financing facilities (8,029 million euros at 31 January 2021). The committed financing facilities amounts to 3,567 million euros (3,603 million euros at 31 January 2021), undrawn at year-end. As at 31 January 2022 the subsidiaries had very short-term financing of 34 million euros (7 million euros in 2021). The financing is remunerated at interest rates negotiated by the Group, which usually comprise a money market rate plus a spread according to the creditworthiness of the company holding the debt.

The amount of ‘Other financing transactions’ relates to financial leasing contracts with companies providing services.

Financial debt is denominated in the following currencies:

	31/01/2022	31/01/2021
Euro	2	7
Turkish lira	1	-
British pound	-	-
Indian rupee	2	2
Korean won	-	5
Rublo	27	-
Grivna	4	-
Total	**36**	**14**

The maturity schedule of the Group's bank borrowings at 31 January 2022 and 2021 was as follows:

	31/01/2022	31/01/2021
Less than one year	35	11
Between one and five years	1	3
Total	**36**	**14**

In addition, through its main banks, the Group makes supply chain financing programmes available to its suppliers in order to give them access to liquidity, amounting to 2,277 million euros (2,168 million euros at 31 January 2021). This allows suppliers to choose, on a voluntary basis, to bring forward the collection of their invoices. The initially agreed payment terms remain unchanged, and this item is therefore recognised under trade payables and shown as operating cash flow. At 31 January 2022 usage of these programmes amounted to 1,263 million euros (852 million euros in 2021).

21. Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2021 and 2020 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2020	53	87	76	217
Provisions recorded during the year	11	57	13	82
Disposals	(3)	(32)	(3)	(38)
Transfers	-	-	-	-
Foreign exchange translation differences	(2)	(3)	(4)	(9)
Balance at 31/01/2021	**59**	**110**	**83**	**252**
Balance at 01/02/2021	59	110	83	252
Provisions recorded during the year	31	33	3	67
Disposals	(9)	(6)	(2)	(17)
Transfers	(6)	-	(8)	(14)
Foreign exchange translation differences	(1)	-	-	(1)
Balance at 31/01/2022	**74**	**137**	**76**	**287**

Provision for pensions and similar obligations to personnel

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2022.

Provision for liabilities

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

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

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

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognized to arise therefrom.

22. Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2021 and 2020 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2020	291	89	380
Acquisitions	37	-	37
Changes through profit or loss	(19)	27	8
Disposals	-	-	-
Transfers	(105)	(18)	(123)
Foreign exchange translation differences	(23)	-	(23)
Balance at 31/01/2021	**182**	**98**	**280**
Balance at 01/02/2021	182	98	280
Acquisitions	86	-	86
Changes through profit or loss	(7)	17	10
Disposals	-	-	-
Transfers	(103)	(21)	(124)
Foreign exchange translation differences	(4)	-	(4)
Balance at 31/01/2022	**154**	**94**	**248**

Lease incentives correspond to incentives received from developers of shopping centres or owners of commercial premises under lease contracts with variable rental payments.

23. Equity

Share capital

At 31 January 2022 and 2021, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2022 and 2021 amounted to EUR 20 million, while retained earnings amounted to EUR 21,024 million and EUR 21,654million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2022 and 2021, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2022 include restricted reserves amounting to EUR 1,271 million (EUR 990 million at 31 January 2021) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

Inditex shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Moreover, pursuant to Article 497 of the Spanish Companies Act, Inditex has contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service. According to the Parent's register of Shareholders and also pursuant to public information registered at the Spanish National Securities Market Commission (CNMV), at 31 January 2022 and 31 January 2021 the members of the Board of Directors directly or indirectly owned 59.375%, in both cases, of the Company's share capital (Note 29). At 31 January 2022 and 2021, Pontegadea Inversiones, S.L. held 50.010% of the shares of Inditex.

Dividends

The dividends paid by the Parent in 2021 and 2020 amounted to EUR 2,180 million and EUR 1,090 million, respectively. These amounts correspond to payments of EUR 0.70 per share and EUR 0.35 per share, respectively.

The distribution proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Meeting held on 16 July 2019, approved a Long-Term Incentive Plan 2019-2023 (Note 26 of the consolidated annual accounts for 2019) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. Similarly, the Annual General Meeting held on 13 July 2021 approved a new Long-Term Incentive Plan 2021-2025 (Note 26).

At 31 January 2021, the Company owned 1,726,305 treasury shares, representing 0.055% of the share capital.

In the first half of 2021, as part of the Temporary Buyback Programme and with the authorisation in force granted by the Annual General Meeting, 2,500,000 treasury shares have been acquired, in order to enable the Parent to meet its obligations to deliver shares to the beneficiaries of the abovementioned Long-Term Incentive Plan 2019-2023.

Consequently, at 31 January 2022, the Company owned a total of 4,226,305 treasury shares, representing 0.136% of the share capital.

Translation differences

Details and variations in translation differences are as follows:

Currency	Balance at 01/02/2021	Reclasification	Variation	Balance at 31/01/2022
Russian rouble	193	8	(25)	176
Argentine peso	148	(45)	5	108
Brazilian real	111	(2)	(10)	99
Mexican peso	88	(5)	(20)	63
Turkish lira	81	(9)	35	107
Japanese yen	(3)	(3)	3	(3)
Chinese Yuan Renminbi	(14)	8	(22)	(28)
US Dollar	(20)	6	(67)	(81)
Other	120	(11)	(21)	88
Total	**704**	**(53)**	**(122)**	**529**

24. Income taxes

Companies included in the consolidated annual accounts pay the Corporate Income Tax individually, except for certain countries (like Spain, Portugal or Netherlands) where they pay taxes under the consolidated tax group regime.

In the case of Spain, the consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated tax groups. The subsidiaries composing the aforementioned Spanish tax group are as follows:

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

The balance of the "Current Liability for Income Tax" heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profits for the year 2021, net of withholdings and prepayments made in the period. The heading "Creditors" includes the liability corresponding to other applicable taxes.

The balance of "Current Asset for Income Tax" in the consolidated balance sheet corresponds, mainly, to amounts to be recovered from tax authorities for such concept. The balance of the "Accounts Receivable" heading in the accompanying consolidated balance sheet includes, among others, the amount by which the input VAT exceeded output VAT for the period.

The income tax expense includes both the part concerning expense for current tax and the corresponding expense for deferred tax. The current tax is the amount to be paid for the income tax related to the fiscal gain of the period and for other fiscal charges derived from compliance with the regulations that regulate the income tax. The deferred tax reflects the amounts of tax on the profits to be paid or recovered in future periods and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2021	2020
Current taxes	880	317
Deferred taxes	69	(20)

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statement for 2021 and 2020 is as follows:

	2021	2020
Consolidated accounting profit for the year before taxes	4,199	1,401
Tax expense at tax rate in force in the country of the Parent	1,050	350
Net permanent differences	(73)	(6)
Effect of application of different tax rates	(61)	(65)
Adjustments to prior years' taxes	(19)	(21)
Tax withholdings and other adjustments	76	59
Adjustments to deferrred tax assets and liabilities	3	-
Tax withholdings and tax benefits	(27)	(20)
Income tax expense	**949**	**297**

The permanent differences correspond, mainly, to expenses not tax deductible and to tax revenues for the contribution of rights to use certain assets to a subsidiary.

The companies that make up the consolidated Group have benefited from the tax benefits provided for in the tax regulations in force in each country amounting to EUR 27 million at 31 January 2022 (EUR 20 million at 31 January 2021). These deductions and bonuses derive, fundamentally, from investments and, to a lesser extent, benefits.

Temporary differences correspond mainly to differences between the carrying amount of an asset or liability in the balance sheet and its tax base, the main difference relating to right-of-use as a result of application of IFRS 16. The consolidated balance sheet closed as of 31 January 2022 includes the assets and liabilities for deferred taxes existing at that date.

The detail of “Deferred Tax Assets” and “Deferred Tax Liabilities” in the accompanying consolidated balance sheet is as follows:

Deferred tax assets arising from:	2021	2020
Provisions	151	121
Non-current assets	191	197
IFRS 16	220	305
Valuation adjustments	72	106
Tax losses	50	122
Intra-Group transactions	186	130
Other	309	295
Total	**1,179**	**1,276**

Deferred tax liabilities arising from:	2021	2020
Intra-Group transactions	155	132
IFRS16	64	103
Non-current assets	69	61
Valuation adjustments	4	4
Other	67	96
Total	**359**	**396**

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2021 and 2020 has been as follows:

Deferred tax assets arising from:	2021	2020
Opening balance	1,276	1,236
Charge/Credit to profit or loss	(90)	33
Charge/Credit to equity	19	(50)
Transfers	(26)	57
Closing balance	**1,179**	**1,276**

Deferred tax liabilities arising from:	2021	2020
Opening balance	396	370
Charge/Credit to profit or loss	(21)	(11)
Charge/Credit to equity	10	(20)
Transfers	(26)	57
Closing balance	**359**	**396**

As of 31 January 2022, the Group has tax losses subject to compensation with future benefits amounting to EUR 453 million (EUR 665 million at 31 January 2021). The aforementioned breakdown of Deferred tax assets includes those corresponding to tax loss carryforwards pending offsetting, with a balance of EUR 50 million at 31 January 2022 (EUR 122 million at 31 January 2021) that, for the most part, are not subject to a period of effective compensation. The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 2.2.f), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 292 million (EUR 242 million in 2020).

On the other hand, in accordance with the tax legislation applicable to the parent company of the Group, the dividends proposed or declared to the shareholders of said company, before the financial statements have been formulated and that have not been recognized as liabilities, do not generate consequences in the Income Tax of the parent company.

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. Currently, routine tax audits in group companies are being carried out in different markets. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

25. Financial risk management policy and financial instruments

Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (foreign currency risk, raw materials risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

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

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian ruble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g., deposits held in currencies other than the euro), and these instruments are recognized under "Current Financial Asset".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group occasionally uses financial derivatives such as purchased options, zero-premium option combinations and, occasionally, foreign currency forwards.

Certain Group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing foreign currency risk management policies, derivatives are arranged, mainly forwards and cross currency swaps, to hedge the changes in fair value related to exchange rates.

As described in Note 2.2.m, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 2.2.m on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable reporting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2021, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges. Approximately 66% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to the year-end, while the remaining 34% are expected to fall due between six months and one year. Also, the impact on the income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 2.2.m.

Raw material risk

As a result of its business model, the Group is also exposed to potential cost volatility and inflation related to the impact resulting from price increases of the many raw materials (both textile and non-textile) consumed directly and indirectly in the Group's operations and in its procurement of goods, primarily our commercial products (garments, footwear, accessories and household goods), and services, especially in terms of supply and distribution transport, as well as energy consumption. This risk is measured using 'at risk' methodologies from a portfolio of exposures standpoint.

Risk quantification methodology

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

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency and raw material risks and that the possible adverse changes in exchange rates and raw material price would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected. In addition, using the same methodology, the portfolio performance is analysed periodically and repeatedly under highly stressed scenarios based on market movements during historical periods of high volatility.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e., the portfolio used for the calculation, differ from the actual flows. In addition, the Group uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the most relevant accounting items.

In accordance with the risk management framework, risk appetite and tolerance levels are set and residual risk is quantified. In addition, limits are set and monitored to ensure that residual risk is within the risk appetite and is also compliant with the established risk tolerance level.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate and raw material prices resulting from the CFaR calculation, could be EUR 381 million at 31 January 2022 (EUR 362 million 31 January 2021).

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Financial Risk Management Policy ensures the measurement, assessment, quantification and mitigation of the credit risk of investment products and the counterparty risk of financial institutions by establishing very detailed analysis criteria and Value-at-Risk (VaR) methodologies.

The VaR methodology implemented takes into account the counterparty’s probability of default as estimated by the market, the time horizon of the investments, and the percentage of risk exposure that is not expected to be recovered in the event of default (loss given default). VaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The exposures used are up to one year. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous year. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous year.

In accordance with the risk management framework, risk appetite and target risk are set and residual risk is quantified. In addition, limits are set and monitored to ensure that residual risk is within the risk appetite and is also compliant with target risk.

Although credit risk increased as a result of the market conditions initially caused by covid-19, credit risk in the market has since moderated. This, together with active management, allowed for its mitigation, thus returning the Group's residual risk to pre-pandemic levels.

It is estimated that the residual risk resulting from the Group’s twelve-month cash investments could be up to EUR 15 million at 31 January 2022 (EUR 58 million at 31 January 2021).

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement.

Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

In relation to accounts receivable of commercial origin, the Group estimates that at closing date there has not been a significant increase in credit risk since its recognition, which is why the expected loss at 12 months has been estimated, not being significant, and it has not been considered necessary to make valuation corrections with accounts receivable not due.

The main financial assets of the Group are shown in the “Financial instruments: other information” section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 20).

Note 20 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

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

- Cash and cash equivalents: given the Group's investment policy (Note 20) and the negative interest rate environment in the Euro zone, with the Euro as the main currency, there is a risk of negative returns on the Group's financial position (Note 8).

- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets) and goodwill with an indefinite useful life. (Note 2.2.f).

- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

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

Country risk

The international presence of the Group's business activities exposes it to the country risk of multiple geographical regions, in both its supply and its sales and distribution activities. The Group adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

The conflict in Ukraine has forced the temporary suspension of the Group's operations in Ukraine and in the Russian Federation (Note 32). The implications that the current circumstances may have for our business due to their potential ramifications, as well as their estimated duration, are still difficult to assess in such an uncertain context. The Group continues to permanently analyse the evolution of the conflict and its complex implications and implement plans to mitigate its impact, especially in relation to its workforce in the affected markets.

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

At 31 January 2022, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries. Finally, in relation to Brexit, the United Kingdom has effectively become a third-party country. The action plans envisaged by the Group since the referendum in June 2016 have been implemented as planned in order to adapt all business operations to the new circumstances, including those relating to supply, transport and distribution flows, as well as administrative, accounting, tax and customs procedures. Our UK business is therefore operating normally.

At 31 January 2022, the Group was not operating in markets in which there was more than one exchange rate.

Capital management

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

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 29.

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

Financial instruments

At 31 January 2022 and 2021, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:

Other financial assets	2021	2020
Fair value of the hedging instruments	22	2
Total	**22**	**2**

Other financial liabilities	2021	2020
Fair value of the hedging instruments	7	14
Reciprocal call and put options (Note 6)	15	13
Total	**22**	**27**

The detail of the fair value (measured as indicated in Note 2.2.m) of the hedging instruments for 2021 and 2020 is as follows:

2021

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2021	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2020
OTC Derivatives						
Foreign currency forwards	2	22	14	-	6	2
Total Derivates		**22**	**14**	**-**	**6**	**2**

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2021	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2020
OTC Derivatives						
Foreign currency forwards	2	7	(4)	(3)	-	14
Total Derivates		**7**	**(4)**	**(3)**	**-**	**14**

2020

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2020	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2019
OTC Derivatives						
Foreign currency forwards	2	2	(11)	(1)	-	14
Total Derivates		**2**	**(11)**	**(1)**	**-**	**14**

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2020	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2019
OTC Derivatives						
Foreign currency forwards	2	14	6	-	3	5
Options	2	-	-	(6)	-	6
Cross Currency Swap	2	-	(4)	-	-	4
Total Derivates		**14**	**3**	**(6)**	**3**	**15**

There have been no transfers between the different levels. (See Note 2.2.m).

Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the guarantees given in relation to the lease of commercial premises, which are shown under "Other Non-Current Assets". The main financial assets of the Group are as follows:

	2021	2020
Cash and cash equivalents (Note 20)	7,021	7,398
Current financial investments (Note 20)	2,374	176
Trade receivables (Note 11)	267	255
Receivable due to sales to franchises (Note 11)	242	177
Other current receivables (Note 11)	82	85
Guarantees (Note 18)	290	329
Total	**10,276**	**8,418**

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

In 2021 and 2020 no significant impairment losses were recognized on financial assets.

26. Employee benefits

Obligations for benefit plans or defined contributions

The Group does not maintain obligations with its employees as a general rule for defined benefit plans or contributions. However, in certain countries, due to the legislation or regulation in force or local labour practice, the Group assumes certain commitments related to the payment of certain amounts for accidents, illness or retirement, among others, sometimes partially paid by the worker and risk is partially or totally externalized through hiring the corresponding insurance policies.

Likewise, in certain countries, the worker participates in a percentage of the profits generated by the Group companies. The liabilities related to these items are recorded in the "Provisions" and "Other long-term liabilities" heading in the consolidated balance sheet. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Long-term Incentive Compensation Plans

2019-2023 Long-Term Incentive Plan

The Annual General Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the “2019-2023 Plan”). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2019-2023 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2019-2023 Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the 2019-2023 Plan runs from February 1, 2019 to January 31, 2022 and is scheduled to be settled in the first quarter of 2022. The second cycle spans the period from 1 February 2020 to 31 January 2023.

The 2019-2023 Plan is linked to critical business targets and the creation of shareholder value. As a more significant innovation, the 2019-2023 Plan also links long-term variable remuneration to objectives related to sustainability and the environment, with this index having a maximum weight of 10% over the whole.

The 2019-2023 Plan does not expose the Company to any material risks.

To cater for this 2019-2023 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23).

The incentive to be received will be calculated as provided for in the resolution nineth of the Annual General Meeting held on 16 July 2019.

2021-2025 Long-Term Incentive Plan

The Annual General Meeting held on 13 July 2021 approved the 2021-2025 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the '2021-2025 Plan'). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2021-2025 Plan combines a multi-year cash bonus and a promise to deliver free shares which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2021-2025 Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the 2021-2024 Plan runs from 1 February 2021 to 31 January 2024. The second cycle spans the period from 1 February 2022 to 31 January 2025.

The 2021-2025 Plan is linked to critical business, sustainability and shareholder value creation targets. The share of sustainability- and environment-linked goals has increased to 25% of the overall plan, with respect to the 2019-2023 Plan.

The 2021-2025 Plan does not expose the Group to any material risks.

The liabilities related to the plans in cash is shown registered in the 'Provisions' and "Trade and other payables" item of the balance sheet, and its annual allocation is included in the 'Operating expenses' item in the income statement. The impact of these obligations on the income statement and the consolidated balance sheet is not significant.

The amount relating to the equity-settled component of the plans is recognised under 'Equity' in the consolidated balance sheet and the related period charge is reflected under 'Operating expenses' in the income statement.

The impact of these obligations on the income statement and the consolidated balance sheet is not significant.

27. Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Tempe, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City México	Equity method	31-dec	Multi-concept	Dormant
Tempe Logística, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo Brazil	Equity method	31-dec	Multi-concept	Dormant
Tempe Diseño, S.L.U.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading Asia Limited	50.00%	Hong Kong China	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai China	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Giyim, Ltd.	50.00%	Istanbul Turkey	Equity method	31-jan	Multi-concept	Dormant

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRS, together with other relevant financial information:

	2021	2020
Fixed assets	251	257
Others	36	30
Non-current assets	**287**	**286**
Inventories	325	219
Trade and other receivables	392	304
Cash and cash equivalents	20	31
Current assets	**737**	**554**
Non-current liabilities	**(26)**	**(28)**
Trade and other payables	(387)	(273)
Others	(2)	(7)
Current liabilities	**(389)**	**(279)**
Net assets	**609**	**534**
Revenues	1,305	997
Gross profit	**391**	**257**
Operating expenses	(214)	(161)
Amortization and depreciation	(24)	(25)
Net operating profit (EBIT)	**153**	**71**
Net profit	**119**	**62**

In 2021 the Group received dividends totalling EUR 25 million (EUR 12 million in 2020) from Tempe (see Note 17).

28. Proposed distribution of the profit of the Parent

Directors' proposed appropriation of the Company's profit in 2021 amounts to 1,472 million euros, corresponding to dividends in the amount of 1,440 million euros and voluntary reserves in the amount of 32 million euros.

The Board of Directors will propose to the Annual General Meeting a dividend of 0.93 euros per share, composed of an ordinary dividend of 0.63 euros per share and a bonus dividend of 0.30 euros per share. From the total amount of 0.93 euros per share, 0.465 euros per share are payable on 2 May 2022 as ordinary interim dividend and 0.465 euros per share are charged to reserves and payable on 2 November 2022 as ordinary dividend and bonus dividend.

29. Remuneration of the Board of Directors and related party transactions

Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and senior management of the Parent in 2021 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2022, per the Parent's shareholder register, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

Name or company name of director	% Voting rights attributed to the shares		% Voting rights through financial instruments		% Total voting rights	% Voting rights that can be sell through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr Pablo Isla Álvarez de Tejera [1]	0.0680%	-	0.0070%	-	0.0750%	-	-
Mr Amancio Ortega Gaona [2]	-	0.5929%	-	-	59.2940%	-	-
Mr Óscar García Maceiras [3]	0.0004%	-	0.0050%	-	0.0050%	-	-
Mr José Arnau Sierra	0.0010%	-	-	-	0.0010%	-	-
Pontegadea Inversiones, S.L. [4]	50.0100%	-	-	-	50.0100%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-
Total					59.375%		

[1] With regard to the second cycle (2020-2023) of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum number of 120,174 shares (i.e. 0.0038%). Likewise, with regard to the first cycle (2021-2024) of the new 2021-2025 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 116,569 shares (i.e. 0.0037%).

[2] Through Pontegadea Inversiones, SL and Partler Participaciones, S.L. (Partler 2006, S.L. holds 100% of its stake)

[3] With regard to the second cycle (2020-2023) of the 2019-2023 Long-term Incentive Plan, Mr Óscar García Maceiras, the new CEO of the company since 29 November 2021, may receive up to a maximum number of 61,854 shares. (i.e. 0.002%) for the duties performed as General Counsel and Secretary of the Board of Directors in 2021 and taking into account the amount he has been assigned as CEO pursuant to the Remuneration Policy approved at the Annual General Meeting held in 2021. Likewise, with regard to the first cycle (2021-2024) of the new 2021-2025 Long-Term Incentive Plan, the CEO may receive up to a maximum of 68,562 shares. (i.e. 0.002 %).

[4] Represented by Ms Flora Pérez Marcote

Pursuant to the provisions of article 229 of the Spanish Companies Act, as amended by Law 31/2014, of 3 December, no director has communicated any situation that, directly and/or indirectly, through persons related to them, could place them in a potential conflict of interest with the Parent.

Notwithstanding the foregoing, Mr Rodrigo Echenique Gordillo, Mr Emilio Saracho Rodriguez de Torres and Ms Pilar López Álvarez, hold positions on the Boards of Directors of Grupo Santander, International Consolidated Airlines Group and Microsoft Western Europe, respectively, and perform their duties as Inditex directors as independent parties, without prejudice to the commercial relationships that Inditex has maintained with these companies for years. In any case, the Board of Directors ensures, through the Audit and Compliance Committee that the transactions with directors and/or significant shareholders, or with respective related persons, are carried out under market conditions and respecting the principle of equal treatment to shareholders.

When the Board of Directors deliberated on the appointment, the re-election, the acknowledgment of resignation, the compensation or any other agreement referred to a director or to a person or company related to a director, the affected party was absent from the Company meeting during the deliberation and voting of the corresponding agreement.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities (Note 27) and associates detailed in Annex I to the notes to the consolidated annual accounts, the significant or controlling shareholders, the members of the Board of Directors of Inditex and Senior Management of the Inditex Group, as well as their close family members, as defined in IAS 24, Commission Regulation (EC) No 1126/2008, of 3 November 2008, adopting certain international accounting standards, and article 2, section 3 of Spanish Ministry of Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official secondary markets must disclose.

The transactions with related parties were performed on an arm's length basis.

Inditex Group companies

The transactions between Inditex and its subsidiaries, which form part of the normal course of business in terms of their purpose and terms and conditions and were eliminated in full on consolidation and, therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities in the consolidated balance sheet:

Transactions:

Company	2021	2020
Jointly controlled entities	(970)	(780)

Corresponding mainly to finished goods procurements.

Balances:

	31/01/2022	31/01/2021
Current financial investments	1	-
Trade and other receivables	11	16
Non-current financial investments	295	258
Trade and other payables	356	277

The detail of the transactions with significant shareholders, the members of the Board of Directors and Senior Management is as follows:

Significant shareholders

In 2021 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler Participaciones S.L, Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(37)
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	8
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

In 2020 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler Participaciones S.L, Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(33)
Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	3
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and Senior management

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

The following tables show the remuneration and termination benefits earned by the directors and Senior Management of Inditex in 2021:

Name or social name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Comittees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration 2021	Multiannual variable remuneration (cash and shares) 2021	Total 2021
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	4,875	4,218	12,443
Mr José Arnau Sierra	Propietary	100	80	200	-	-	-	-	380
Mr Óscar García Maceiras (1)	Executive	17	-	-	-	277	382	70	746
Mr Carlos Crespo González (2)	Executive	83	-	-	-	1,179	1,868	2,633	5,763
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (3)	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	50	-	-	-	300
Ms Anne Lange	Independent	100	-	150	-	-	-	-	250
Ms Pilar López Álvarez	Independent	100	-	150	50	-	-	-	300
Mr Jose Luis Durán Schulz	Independent	100	-	150	-	-	-	-	250
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		**1,100**	**80**	**1,100**	**200**	**4,706**	**7,125**	**6,921**	**21,232**

Notes:
(1) The remuneration for the financial year 2021 corresponds to the portion accrued in the period from 1 December 2021, the financially effective date of his appointment as new Chief Executive Officer, through 31 January 2022.
(2) The remuneration for the financial year 2021 corresponds to the portion accrued in the period from 1 February through 30 November 2021, the financially effective date of his resignation as Chief Executive Officer.
(3) Represented by Ms Flora Pérez Marcote.

An itemised breakdown of the remuneration of the members of the Board of Directors in 2020 is as follows:

Name or social name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Comittees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration 2020	Multiannual variable remuneration (cash and shares) 2020	Total 2020
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	2,535	-	5,885
Mr José Arnau Sierra	Propietary	100	80	200	-	-	-	-	380
Mr Carlos Crespo Gonzalez	Executive	100	-	-	-	1,500	1,170	-	2,770
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	50	-	-	-	300
Ms Anne Lange	Independent	100	-	150	-	-	-	-	250
Ms Pilar López Álvarez	Independent	100	-	150	27	-	-	-	277
Mr José Luis Durán Schulz	Independent	100	-	150	23	-	-	-	273
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		**1,100**	**80**	**1,100**	**200**	**4,750**	**3,705**	-	**10,935**

Notes:
(1) Represented by Ms Flora Pérez Marcote

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2021 were as follows:

2021	
	SENIOR MANAGEMENT
Remuneration	69,204
Termination benefits	10,083
Total	**79,287**

The aforementioned remuneration for 2021 includes fixed remuneration and short-term and long-term variable remuneration accrued by Senior Management (as defined in section C.1.14. 'Identify the members of Senior Management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favour during the year' of the Annual Corporate Governance Report for 2021). The directors' remuneration for the 2021 financial year includes fixed items of remuneration of directors in their capacity as such, as well as the short- and long-term fixed and variable remuneration accrued by the Executive Chairman, Mr Pablo Isla Álvarez Tejera, the new Chief Executive Officer, Mr Óscar García Maceiras, and the outgoing Chief Executive Officer, Mr Carlos Crespo González, for the performance of their executive duties. In particular, it includes:

The amounts corresponding to the remunerations accrued by: (i) Mr Pablo Isla Álvarez Tejera, as a director and for the performance of his executive duties, from 1 February 2021 through 31 January 2022; (ii) Mr Óscar García Maceiras, as a director and for the performance of his executive duties, from 1 December 2021, the financially effective date of his appointment, through 31 January 2022; and (iii) Mr Carlos Crespo González, as a director and for the performance of his executive duties, from 1 February 2021 through 30 November 2021, the financially effective date of his resignation.

With regard to long-term variable remuneration, it includes the amount accrued for the first cycle (2019-2022) of the 2019-2023 LTIP. The amount accrued in FY2021 for this incentive amounts to €6,921 thousand for the Executive Directors and €27,581 thousand for Senior Managers. Such incentive materialised as follows:

- Executive Directors: (i) cash incentive in the total gross amount of €1,760 thousand for the Executive Chairman, €36 thousand for the incoming CEO and €1,099 thousand for the outgoing CEO; and (ii) and incentive in shares equivalent to the total number of 112,953 shares for the Executive Chairman, corresponding to a gross amount of €2,458 thousand; 1,552 shares for the incoming CEO, corresponding to a gross amount of €34 thousand, and 70,499 shares for the outgoing CEO, corresponding to a gross amount of €1,534 thousand.

- Senior Managers: (i) a cash incentive in the total gross amount of €13,472 thousand; and (ii) and incentive in shares equivalent to the total number of 648,398 shares, which correspond to a gross amount of €14,109 thousand.

In this regard, note that, in order to quantify the portion of the incentive to be delivered in shares, the reference used was Inditex's closing share price on the last business day of the week prior to the meeting of the Board of Directors at which the degree of compliance with the first cycle of the 2019-2023 Plan was assessed and approved (i.e. 11 March 2022).

The incentive in cash and in shares will be delivered within the month following the publication of the annual accounts for 2022.

The total remuneration and termination benefits earned by senior management of Inditex Group in 2020 were as follows:

2020

	SENIOR MANAGEMENT
Remuneration	27,796
Termination benefits	-
Total	**27,796**

The aforementioned remuneration for 2020 includes fixed remuneration and short-term variable remuneration accrued by Senior Management (as defined in section C.1.14. '*Identify the members of Senior Management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favour during the year*' of the Annual Corporate Governance Report for 2020). Remuneration of directors for 2020 includes fixed items of remuneration of directors in their condition as such, as well as fixed salary and short-term variable remuneration of executive directors.

No long-term variable incentives were paid in 2020.

During 2021 and in 2020 no contributions were made to the Pension Scheme Plan.

30. External auditors

In 2021 and 2020 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2021	2020
Audit services	7.3	7.3
Other assurance services	0.8	0.7
Total audit and similar services	**8.1**	**8.0**
Other services	0.2	0.1
Total professional services	**8.3**	**8.1**

Furthermore, audit fees for services provided by other auditors in 2021 amounted to EUR 0.1 million (EUR 0.1 million in 2020).

In 2021, according to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.02% of their total revenue.

31. Environment

Inditex has developed a flexible and integrated business model, with a strong customer focus and a clear sustainable approach. In this regard, Inditex's environmental strategy is outlined in its Sustainability Policy, which sets out, among other aspects, the Group's environmental principles, which are applied transversally across all its business areas and throughout its entire value chain. These principles are embodied by three environmental strategies: Global Energy Strategy, Global Water Strategy and Biodiversity Strategy, as well as the commitments in respect of forest products, set forth in the Forest Product Policy. Inditex has ramped up its environmental ambition by announcing new commitments at its latest Annual General Meeting held in July 2021.

At the year-end, Inditex has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and profits (losses). Climate change has been assessed as part of the estimates and judgements made in the preparation of the consolidated financial statements and is not considered to have a material impact thereupon.

The following sections of the Group's Statement on Non-Financial Information includes information on Inditex's commitment to the environment through its Sustainability Policy: 5.4 Collaborating to transform through sustainable management of our products, 5.5 Collaborating so our suppliers grow, and 5.6 Collaborating to safeguard the planet, and information on the risks and opportunities of climate change in section 5.10.4 'Climate change: risks and opportunities'.

32. Events after the reporting period

War began in Ukraine on 24 February 2022, and it continues at the date of preparing these consolidated annual accounts. The conflict has prevented the ordinary course of operations throughout the region.

In this regard, on 5 March 2022, the Group announced that under the current circumstances it could not guarantee the continuity of the operations and commercial conditions in the Russian Federation and temporarily suspended its activity there (this applies to physical stores and the online channel alike). It had halted its operations in Ukraine on 24 February 2022.

In both markets, all the stores (502 in Russia and 84 in Ukraine) are operated under lease, so the value of the Group's net assets in the two markets at 2021 year-end was not material from the perspective of the consolidated financial statements for that year. As these circumstances occurred subsequent to the close of the financial statements, no provision was allocated in this connection, pursuant to IAS 10.

In the current environment, it is difficult to gauge the possible implications of this situation for the Inditex Group, based on the multiple potential developments in the short and medium term. Group's Management continues to track the unfolding conflict and its potential repercussions closely. The Group's businesses in the Russian Federation and Ukraine respectively account for some 8.5% and 1.5% of its EBIT.

33. Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix 1: Composition of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100.00%	Hong Kong SAR	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Confecciones Fíos, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Confecciones Goa, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Denllo, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Hampton, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Nikole, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Stear, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Trisko, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Zintura, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Glencare, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile
Indipunt, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Zara España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100.00%	New York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Zara	Retail sales
ITX UK LTD.	100.00%	London - UK	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Mexico, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
ITX HELLAS SINGLE MEMBER S.A.	100.00%	Athens - Greece	Full Consol.	31-jan	Multi-concept	Retail sales
Zara México, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
ITX PORTUGAL - CONFECÇÕES, S.A.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Multi-concept	Retail sales
G.Zara Uruguay, S.A.	100.00%	Montevideo - Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Brasil, LTDA.	100.00%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara	Retail sales
ITX NEDERLAND BV	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Österreich Clothing, GmbH	100.00%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Inditex Danmark, AS.	100.00%	Copenhaguen - Denmark	Full Consol.	31-jan	Multi-concept	Retail sales
ITX SVERIGE AB	100.00%	Stockholm - Sweden	Full Consol.	31-jan	Multi-concept	Retail sales
Inditex Norge, AS.	100.00%	Oslo - Norway	Full Consol.	31-jan	Multi-concept	Retail sales
ITX CANADA, LTD	100.00%	Montreal - Canada	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales
ITX ITALIA SRL	100.00%	Milan - Italy	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Japan Corp.	100.00%	Tokyo - Japan	Full Consol.	31-jan	Multi-concept	Retail sales
INDITEX CESKÁ REPUBLIKA, S.R.O	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
ITX RETAIL IRELAND LIMITED	100.00%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Magyarorszag, KFT.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100.00%	Monte Carlo - Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100.00%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100.00%	Beijing - China	Full Consol.	31-dec	Zara	Retail sales
Zara Macau, Ltd.	100.00%	Macao SAR	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100.00%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
JSC "Zara CIS"	100.00%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company
INDITEX ROMANIA, S.R.L.	100.00%	Bucharest - Romania	Full Consol.	31-dec	Multi-concept	Retail sales
INDITEX UKRAINE LLC	100.00%	Kiev - Ukraine	Full Consol.	31-dec	Multi-concept	Retail sales
INDITEX SLOVAKIA, S.R.O.	100.00%	Bratislava - Slovakia	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Taiwan B.V. Zara Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
ITX Croatia, Ltd.	100.00%	Zagreb - Croatia	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Retail Korea, Co Ltd.	80.00%	Seoul - South Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria Ltd	100.00%	Sofia - Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Retail NZ Limited	100.00%	Auckland - New Zealand	Full Consol.	31-jan	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
KG ZARA Deutschland B.V. & Co.	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
Zara Retail South Africa (Propietary), LTD.	90.00%	Johannesburg - South	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	100.00%	Sydney - Australia	Full Consol.	31-jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100.00%	Minsk - Belarus	Full Consol.	31-dec	Zara	Retail sales
ITX S, D.O.O	100.00%	Ljubljana - Slovenia	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Financien, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
ITX BH D.O.O.	100.00%	Sarajevo - Bosnia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX RS DOO BEOGRAD	100.00%	Belgrade - Serbia	Full Consol.	31-jan	Multi-concept	Retail sales
Nikole Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100.00%	Podgorica - Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100.00%	Seoul - South Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private Ltd	51.00%	Gurgaon - India	Full Consol.	31-Mar	Zara	Retail sales
Kiddy´s Class España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
ITX Finland, OY	100.00%	Helsinki - Finland	Full Consol.	31-jan	Multi-concept	Retail sales
Retail Group Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100.00%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100.00%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100.00%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, Ltd	100.00%	Sofia - Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, Ltd	100.00%	Seoul - South Korea	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100.00%	Macao SAR	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100.00%	Hong Kong SAR	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100.00%	Minsk - Belarus	Full Consol.	31-dec	Oysho	Retail sales
Oysho Suisse SÀRL	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100.00%	London - UK	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC.	100.00%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
LLC Massimo Dutti	100.00%	Moscow - Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100.00%	Hong Kong SAR	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100.00%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100.00%	Macao SAR	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100.00%	Beijing - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, Ltd	100.00%	Sofia - Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Korea, Ltd	100.00%	Seoul - South Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, Ltd	100.00%	Shanghai - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich Clothing, GMBH	100.00%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100.00%	Minsk - Belarus	Full Consol.	31-dec	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, SA	100.00%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100.00%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorxzág KFT	100.00%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Master Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo DuttiI India Private Ltd	51.00%	Gurgaon - India	Full Consol.	31-Mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100.00%	London - UK	Full Consol.	31-jan	Pull & Bear	Dormant
Pull & Bear Commercial Beijing Co, Ltd.	100.00%	Beijing - China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, Ltd	100.00%	Sofia - Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd	100.00%	Hong Kong SAR	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design
Pull & Bear Österreich Clothing, Gmbh	100.00%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, Ltd	100.00%	Seoul - South Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100.00%	Minsk - Belarus	Full Consol.	31-dec	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
P&B Gmbh	100.00%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100.00%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Uterqüe Cis, Ltd	100.00%	Moscow - Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Uterqüe	Retail sales
"ITX KOSOVO" L.L.C.	100.00%	Pristina	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Finance Asia, LTD	100.00%	Hong Kong SAR	Full Consol.	31-jan	Zara	Financial services
Inditex USA, LLC	100.00%	New York - USA	Full Consol.	31-jan	Multi-concept	Holding company
Uterqüe Polska SP. Z O.O.	100.00%	Warsaw - Poland	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Uterqüe	Retail sales
Bershka BSK España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100.00%	London - UK	Full Consol.	31-jan	Bershka	Dormant
Bershka Polska Sp Z O.O.	100.00%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100.00%	Moscow - Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100.00%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hong Kong Limited	100.00%	Hong Kong SAR	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100.00%	Beijing - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, Ltd	100.00%	Sofia - Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, Ltd	100.00%	Seoul - South Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
BSKE, GMBH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka Deutschland B.V. & CO. KG	100.00%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100.00%	Shanghai - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100.00%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100.00%	Minsk - Belarus	Full Consol.	31-dec	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE DAC	100.00%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-dec	Stradivarius	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Stradivarius France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, Ltd	100.00%	Shanghai - China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, Ltd	100.00%	Sofia - Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Korea, Ltd	100.00%	Seoul - South Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd	100.00%	Hong Kong SAR	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius UK LIMITED	100.00%	London - UK	Full Consol.	31-jan	Stradivarius	Dormant
Stradivarius Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100.00%	Minsk - Belarus	Full Consol.	31-dec	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
ITX Trading, S.A.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer
Zara Home España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100.00%	London - UK	Full Consol.	31-jan	Zara Home	Dormant
Zara Home Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, Gmbh	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100.00%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shangai) Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Macao SUL	100.00%	Macao SAR	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100.00%	Hong Kong SAR	Full Consol.	31-jan	Zara Home	Dormant
G. Zara Home Uruguay, S.A.	100.00%	Montevideo - Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÀRL	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100.00%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100.00%	Sydney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100.00%	Seoul - South Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Bulgaria EOOD	100.00%	Sofia - Bulgaria	Full Consol.	31-dec	Zara Home	Retail sales
Limited Liability Company "ZARA HOME BLR"	100.00%	Minsk - Belarus	Full Consol.	31-dec	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100.00%	León - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100.00%	Madrid - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics
Inditex Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XXI, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
Goa-Invest, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100.00%	Hong Kong SAR	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Lefties España, S,A,	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100.00%	Palma de Mallorca - Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100.00%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Lelystad Platform, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Logistics
Robustae Mexico, S.A DE C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Inditex, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100.00%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100.00%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100.00%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100.00%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100.00%	Skopje - North Macedonia Rep.	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100.00%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX TRYFIN B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX RUBFIN, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Korea LIMITED	100.00%	Seoul - South Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100.00%	Gurgaon - India	Full Consol.	31-mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant
ITX Merken, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100.00%	Vienna - Austria	Full Consol.	31-jan	Zara Home	Retail sales
ITX LUXEMBOURG S.A.	100.00%	Luxembourg - Luxembourg	Full Consol.	31-jan	Multi-concept	Retail sales
CDC Trading (Shangai) Co. LTD.	100.00%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
Zara Home Retail South Africa (PTY) LTD.	100.00%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Construction
INDITEX RENOVABLES, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Services

INTEGRATED DIRECTORS' REPORT

Consolidated Directors' Report

To 31 January 2022

(Amounts expressed in millions of euros)

Situation of the entity

The information relating to the "Situation of the entity" is detailed in section 4.1 Our strategy and growth model, the fuel for transformation in the Inditex Group's Statement on Non-Financial Information.

Organizational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- Annual General Meeting
- Board of Directors
- Executive Committee
- Audit and Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Compliance Committee and Office of the Chief Compliance Officer
- Ethics Committee

Business performance and results

Key financial and non-financial indicators

Inditex continues to expand its global, fully integrated platform underpinned by the key strategic pillars of store & online integration, digitalisation and sustainability.

The year was defined by a progressive normalisation of sales and our strong differentiation.

In 1Q2021, with 24% of trading hours still unavailable due to restrictions, Inditex's sales trends improved markedly due to healthy in-store sales productivity and online sales growth.

With a more normalised trading environment in 2Q2021 and 3Q2021, sales, PBT and net income reached record highs. It is especially noteworthy that store sales in 3Q2021 increased versus the record levels set in 2019, with 11% fewer stores in operation.

This performance continued going into 4Q2021. However, the final part of the year was impacted significantly by the decrease in store traffic due to the spread of the Omicron variant and restrictions in most markets, and lockdowns in Austria, The Netherlands, Germany, Japan, China and the Philippines.

The sudden drop in store sales generated a one-off impact of €400 million in 4Q2021. The impact on the gross profit due to increased markdowns as a result of the outbreak was approximately €210 million. Due to the sudden drop in store sales, it was difficult to compensate the incremental store expenses associated with the Christmas season and the additional costs linked to increased online sales. The impact from this was a further €190 million.

Following a decrease in the cases of the Omicron variant and the end of restrictions, the start of the Spring/Summer season 2022 has returned to the previous positive patterns.

The RFID and SINT programmes have now been fully rolled out in all concepts. This has allowed Inditex to transition into a company that is more responsive, adaptable, and agile. The migration to the Inditex Open Platform (IOP) is now complete.

Inditex's dividend policy of 60% ordinary payout and bonus dividends remains in place. The Board of Directors will propose to the AGM a dividend of €0.93 per share (+33%), composed of an ordinary dividend of €0.63 and a bonus dividend of €0.30 per share. The dividend will be made up of two equal payments: On 2 May 2022 a payment of €0.465 per share (ordinary). On 2 November 2022 a payment of €0.465 per share (€0.165 ordinary + €0.30 bonus).

The Board of Directors is also proposing to the AGM a total bonus dividend of €0.40 per share to be paid in relation to FY22 results.

In FY2021 gross new space in prime locations increased 3.6% (-1.7% net). Total selling area at FYE reached 4,742,157 square metres:

	2021	2020	21/20
Zara (Zara and Zara Home)	3,140,790	3,209,510	(2)%
Pull&Bear	399,699	394,170	1%
Massimo Dutti	256,505	272,747	(6)%
Bershka	512,644	513,139	(0)%
Stradivarius	321,147	321,419	(0)%
Oysho	111,372	115,581	(4)%
Total	**4,742,157**	**4,826,566**	**(2)%**

Inditex has been very active in store optimisation activities in 2021 (226 openings, 130 refurbishments which include 57 enlargements). Store optimisation is in the final stages as planned (578 stores absorbed in 2021). At the end of FY2021, Inditex operated 6,477 stores. In FY2021, Inditex opened stores in 40 markets.

A list of the number of stores is included in the table below:

Concept	31/01/2022	31/01/2021
Zara	1,939	2,025
Zara Kids	68	93
Zara Home	482	535
Pull&Bear	864	873
Massimo Dutti	682	762
Bershka	971	1,005
Stradivarius	915	936
Oysho	556	600
Total	**6,477**	**6,829**

Company-managed stores and franchised stores at the end 2021:

Concept	Company Managed	Franchised	Total
Zara	1,684	255	1,939
Zara Kids	68	-	68
Zara Home	402	80	482
Pull&Bear	706	158	864
Massimo Dutti	560	122	682
Bershka	804	167	971
Stradivarius	717	198	915
Oysho	472	84	556
Total	**5,413**	**1,064**	**6,477**

Sales in company-managed and franchised stores:

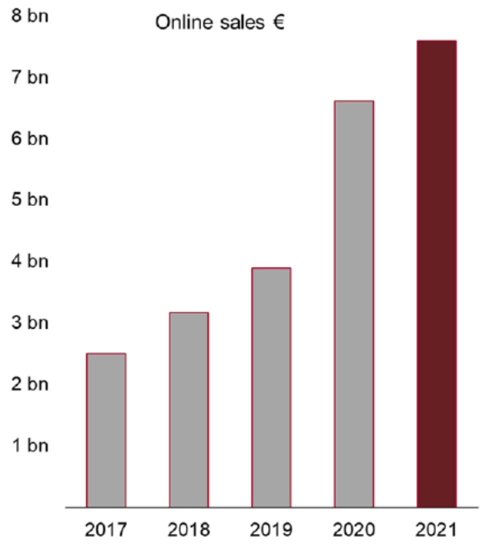
Concept	Company Managed	Franchised
Zara (Zara and Zara Home)	88%	12%
Pull&Bear	82%	18%
Massimo Dutti	84%	16%
Bershka	82%	18%
Stradivarius	77%	23%
Oysho	84%	16%
Total	**86%**	**14%**

A list of the stores' locations by concepts and by market at FYE is included in Annex III.

Net sales by concept are shown in the table below:

	2021	2020
Zara (Zara and Zara Home)	19,586	14,129
Pull&Bear	1,876	1,425
Massimo Dutti	1,653	1,271
Bershka	2,177	1,772
Stradivarius	1,824	1,283
Oysho	600	522
Total	**27,716**	**20,402**

Online sales came to €7.5 billion and grew 14% to reach 25.5% of total sales. Customer engagement remains very high. Active App's reached 146 million. Online visits in FY2021 have grown 13% to 6.2 billion visits. The Group has 228 million followers on social media.



Store & Online sales by geographical area are shown in the table below:

Area	2021	2020
Europe ex-Spain	48.4%	48.7%
Asia & RoW	19.7%	23.2%
Spain	14.4%	14.6%
Americas	17.5%	13.5%
Total	**100%**	**100%**

In 2021, the USA became the largest market for Inditex after Spain.

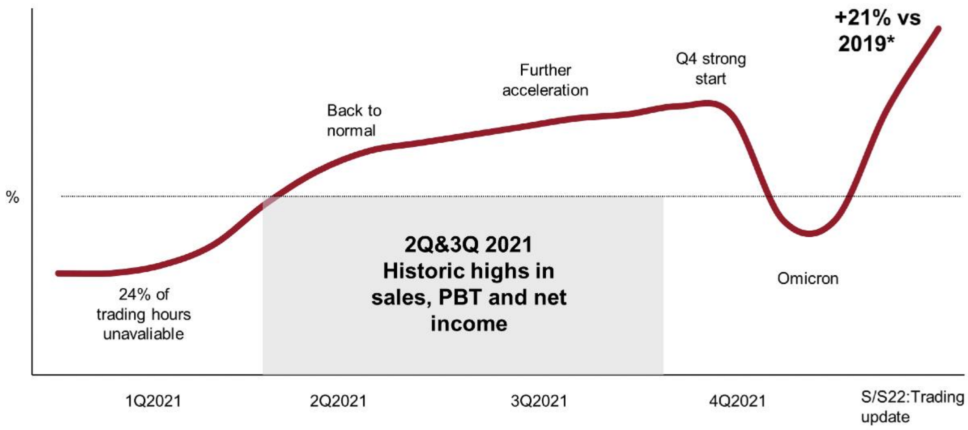
In 2021, Inditex had a strong operating performance. The chart below shows the full year results:

€ million	2021	21/20
Net Sales	27,716	36%
Gross profit	15,814	39%
EBITDA	7,183	58%
Net income	3,243	193%

Net sales reached €27.7 billion, +36% versus 2020. Sales in constant currencies increased 37%. To provide a better comparison with pre-Covid levels, sales in constant currency grew 3% versus 2019 (-2% in 1H and +7.5% in 2H).

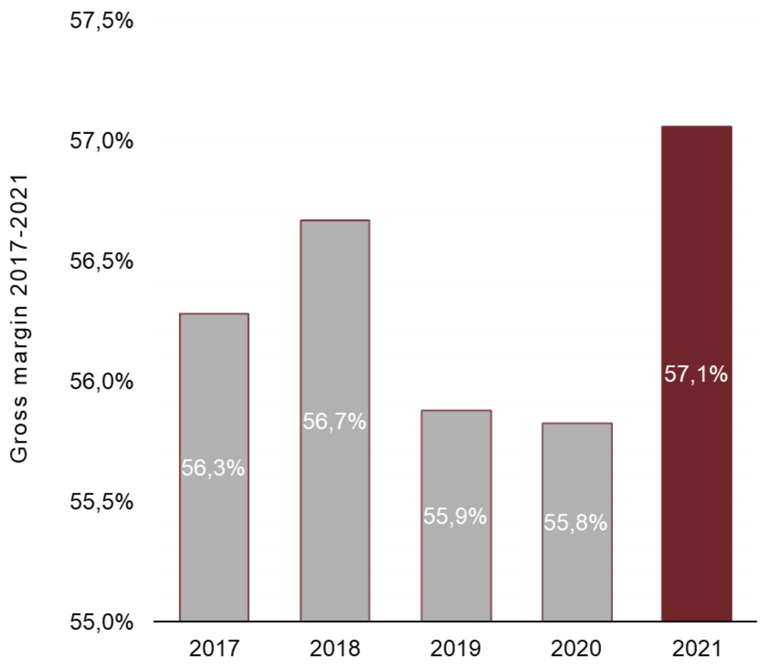
The sales volumes were achieved with 5% less stores in operation versus 2020 (-13% versus 2019). The store optimisation programme has therefore been a resounding success.

The following graph illustrates the sales growth versus 2019.



*In this period, sales in the Russian Federation and Ukraine represented approximately 5% of sales growth

Gross profit increased 39% to €15.8 billion. The gross margin reached 57.1% (+123 bps) and is the highest in 6 years.



The implementation of efficiencies has resulted in operating expenses increasing 26%, being tightly managed over FY2021, below sales growth.

	2021	2020	21/20
Personnel expenses	4,179	3,376	24%
Rental expenses	519	181	187%
Other operating expenses	3,898	3,250	20%
Total	**8,596**	**6,807**	**26%**

EBITDA reached €7.2 billion (+58%), EBIT came to €4.3 billion (+184%).

The following chart shows the breakdown of financial results:

	2021	2020
Net financial income (losses)	(17)	(2)
Lease finance costs	(92)	(120)
Foreign exchange gains (losses)	(33)	(17)
Total	**(142)**	**(139)**

Results from companies consolidated by the equity method came to €58 million.

PBT increased 200% to €4.2 billion. The PBT on sales in each of the concepts exceeded 15%. The breakdown of profit before tax by concept is shown below:

PBT by concept

Concept	2021	2020
Zara (Zara and Zara Home)	2,890	971
Pull&Bear	317	95
Massimo Dutti	250	63
Bershka	321	113
Stradivarius	332	117
Oysho	89	43
Total PBT	**4,199**	**1,401**

Net income increased 193% to €3.2 billion.

Return on Equity, defined as net income on average shareholder's equity:

	2021	2020
Net income	3,243	1,106
Shareholders equity - previous year	14,520	14,913
Shareholders equity - current year	15,733	14,520
Average equity	15,126	14,716
Return on Equity	**21%**	**8%**

Return on Capital Employed (ROCE), defined as PBT on average capital employed (shareholder's equity plus net financial debt):

	2021	2020
PBT	4,199	1,401
Average capital employed		
Average shareholders' equity	15,126	14,716
Average net financial debt (*)	-	-
Total average capital employed	15,126	14,716
Return on Capital employed	**28%**	**10%**

(*) Zero when net cash

Return on Capital Employed by concept:

Concept	2021	2020
Zara (Zara and Zara Home)	25%	9%
Pull&Bear	40%	11%
Massimo Dutti	26%	6%
Bershka	32%	11%
Stradivarius	48%	16%
Oysho	35%	15%
Total	**28%**	**10%**

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2021 results by quarter.

Issues relating to sustainability and employees

In this document includes the Group's Statement on Non-Financial Information, which includes information about issues relating to sustainability and employees in sections 4.2 Sustainability, the basis for transformation; 5.1 Collaborating with our people, the engine of that transformation; 5.4 Collaborating to transform through sustainable management of our products; 5.5 Collaborating so our suppliers grow; 5.6 Collaborating to safeguard the planet and 5.7 Collaborating to generate value in the community.

Liquidity and capital resources

In 2021, cashflow reached historic highs. Strong free cash flow generation continues. The breakdown of the cashflow is shown below. The cash lease payments fixed charge has been added back.

Cash flow summary	2021	2020	2019
Funds from operations (1)	6,530	3,864	6,695
Lease payments fixed charge (2)	(1,668)	(1,673)	(1,836)
Funds from operations (1+2)	**4,862**	**2,191**	**4,859**
Change in working capital	223	(847)	205
Cash flow operations	**5,085**	**1,344**	**5,064**
Capital expenditure	(1,126)	(713)	(1,122)
Free Cash Flow	**3,959**	**631**	**3,942**

The net cash position increased 24% to €9.4 billion at FYE 2021.

	31/01/2022	31/01/2021
Cash & cash equivalents	7,021	7,398
Short term investments	2,374	176
Current financial debt	(35)	(11)
Non current financial debt	(1)	(3)
Net financial cash (debt)	**9,359**	**7,560**

Closing inventory increased 31%. The high quality of inventory is reflected in the strong 2022 trading update. Due to Covid-19 (30% of stores temporarily closed) inventory levels at FYE2020 were unusually low. Inditex has decided to accelerate inventory inflows for the Spring season with any change to commitment levels in order to increase product availability in the face of possible supply chain tensions.

	31/01/2022	31/01/2021
Inventories	3,042	2,321
Receivables	842	715
Payables	(6,411)	(4,747)
Operating working capital	**(2,526)**	**(1,711)**

Capital expenditure for FY2021 amounted to €1.1 billion.

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

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

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2022.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 20 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

The section "Information on the outlook for the Group" outlines the projected execution of investments, mainly in stores, for the next financial year. However, at year-end there were no firm investment commitments of a material amount.

Main risks and uncertainties

In order to facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organisation 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:

Financial risks

Financial risks are threats originating in the macroeconomic sphere, financial markets, global value chains and industry- or company-specific events that may prevent the proposed objectives from being attained.

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes market risk, foreign exchange rate risk, counterparty risk, inflation and risk relating to raw material price increases, economic contraction and the competitive environment. 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 euros, it is exposed to foreign exchange translation risk resulting from 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 exposed to counterparty risk from its suppliers of goods and services, as well as from its customers and business partners which could impact the normal performance of some of its operations. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through a credit card. There are therefore no significant concentrations of credit risk. The financial solvency of the Group's most important third parties is analysed and monitored as part of an analysis process that also encompasses legal, compliance, reputational and other aspects. The Group is also exposed to the risk that counterparties (mainly financial) fail to comply with their obligations in relation to investing the Company's liquidity, credit policies or other funding and guarantee vehicles, as well as the derivative instruments arranged to hedge financial risks.

Interest rate and liquidity risk are also assessed. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum, also taking into account sovereign or jurisdiction risk. The current negative interest rate environment, especially in the Economic and Monetary Union, poses a potential risk of negative profitability in the Group's financial position. Consideration is also given to the potential impact of inflation affecting costs linked to the acquisition of goods and services. In this regard, it is worth noting the increase in the price of the many raw materials consumed directly and indirectly in the Group's operations and in its procurement of goods and services. The Group is monitoring the evolution of the raw material markets. It actively manages their impact, taking advantage of the flexibility of our business model, which enables the diversification of sources and the adaptability of the value chain based on expected demand forecasting.

Lastly, this category includes risks relating to the competitive environment, meaning the 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. It consists of the Group's possible inability to follow and respond to changes in its target market or to adapt to new situations in its supply or distribution countries, considering the difficulties involved in recognising and taking on board the ongoing changes in fashion trends, and in manufacturing, supplying and marketing new items that meet customer expectations. The optimal achievement of business objectives may be shaped by a decline in consumption resulting from an economic downturn, whether global or limited to one or more of the markets in which the Group operates.

Geopolitical Risks

Geopolitical risks arise from a deterioration in the political situation, a society's crime levels, changes in the ideology, leadership and regulation of its authorities, politically motivated conflicts at home or between nation states that threaten operations or forecast performance.

Potential instability in the territories where the Group's supply chains are located, as well as where products are marketed, is a significant risk. Sometimes instability manifests itself through frictions that hinder the normal movement of goods during the transport process, whether due to political instability, infrastructure saturation or constraints, especially on key routes, which generate bottlenecks due to supply-demand imbalances that limit access to transport and/or erode business margins.

The business model is based on a value chain with multiple geographic origins. The Group's integrated sales model enables it to operate in more than two hundred markets, which ensures a significant level of diversification and resilience. As a result of its broad geographic presence, the Group is directly or indirectly exposed to multiple legislations in the countries where it operates (tax, customs, labour, trade and consumer, industrial and intellectual property, personal data protection and privacy regulations, as well as regulatory risks of a criminal nature, crimes related to corruption, fraud and bribery, cybersecurity and environmental legislation, among others. Regulatory changes, as well as differing or even divergent treatment of legal facts in different jurisdictions, expose the Group to potential negative effects of a financial, compliance and/or reputational nature.

The conflict in Ukraine has forced the temporary suspension of the Group's operations in Ukraine and in the Russian Federation. The implications that the current circumstances may have for our business due to their potential ramifications, as well as their estimated duration, are still difficult to assess in such an uncertain context. The Group continues to permanently analyse the evolution of the conflict and its complex implications and implement plans to mitigate its impact, especially in relation to its workforce in the affected markets.

Technological Risks

The technological risk category includes targeted cyber-attacks, collapse of critical infrastructure, industrial accidents with direct or indirect impacts, as well as the inability to adapt to technological advances.

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyberattacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

These risks may significantly affect the normal functioning of the Group's operations. Some of the operational risks are concentrated at logistics centres and at third-party operators transporting goods. The concepts' clothing, footwear, accessories and household products are distributed from different logistics centres, owned by the Group and operated by third parties, located throughout Spain and complemented by a logistics connection hub in the Netherlands. There are additional smaller logistics centres located in other countries and operated by third parties which carry out small scale distribution operations.

The ability to adapt to technological innovations and evolutions in a broad sense, and digitalisation, both in customer interaction through the development of a satisfactory omni-channel experience, as well as in the improvement of operational processes, is essential to ensure the Group's commercial success in a highly competitive environment.

Environmental Risks

Environmental risks are risks associated with natural disasters, climate change and the interactions resulting from human exploitation of the environment.

Key operations pertaining to business and transport processes could be paralysed as a result of natural disasters (floods, fires, earthquakes, etc.), especially if they affect the Group's critical infrastructures. The Group's performance is exposed to the potential impact of climate change in its various manifestations of physical risk, whether chronic or acute, as well as the risks resulting from the transition to a low-carbon economy.

In this regard, significant changes in weather cycles may affect consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others. There are potential financial and reputational risks associated with the nature, speed and focus of policy, legal, technological and market changes as society transitions to a low-carbon economy.

There is also a risk arising from the potential adverse effects of the Group's value chain due to the discharge of undesirable or hazardous substances into the environment, or potentially resulting in the loss of biodiversity, deforestation, soil degradation, shortage of raw materials, among others.

Social Risks

The category of social risks includes risks arising from socio-economic trends in societies, including the evolution of preferences, social norms, demographics, as well as the prevalence of diseases and the development of public healthcare systems.

Human resource-related risks pertain to the potential dependency on key personnel, the inability to adapt the organisational culture with the required speed and flexibility to the needs of staff in a new and complex environment, where the sustainability of human capital becomes more relevant and which aims to ensure the quality of employment, health and well-being of staff, work-life balance, diversity, teleworking culture, etc.

This category includes the risk of infectious diseases. It corresponds to the potential disruption caused by a local, regional or global pandemic as a result of infectious diseases against which there is little or no pre-existing immunity in the human population. The note on covid-19 details its impact during the year and the mitigation measures implemented.

Lastly, this category also includes risks which have a direct influence on the perception of the Group 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 corporate ethics, social and environmental sustainability, responsibility for the health and safety of the products, the corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach or good practices that might have an impact on the Organisation's reputation.

Governance Risk

Governance risks include a set of risks of a different nature. These include non-compliance by the Company, and in particular by its Board of Directors and Senior Management, with the law, good governance guidelines and best practices; and the commitments that Inditex voluntarily undertakes as a business, as well as the risks resulting from the tactical and strategic decisions of the Group's management that may result in the non-fulfilment of the business objectives of the functional areas or of the Group, as well as risks of corruption or damage to the reputation of the company.

Risk management in the Group is a process promoted by the Board of Directors and Senior Management and is the responsibility of all members of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved as a response to the social and environmental challenges, furnishing all stakeholders with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Integrated Risk Management System ('IRMS') is based on the Risk Management and Control Policy, which sets out the basic principles, key risk factors and the general framework for risk management and control.

The Risk Management and Control Policy is implemented and complemented by specific policies and internal regulations relating to certain units or areas of the Group. The policies and internal regulations developed and implemented by these areas for the management of the different types of risk include most notably: Investment Policy, External Financing Policy, Payment Management Policy, Financial Risk Management Policy, Insurable Risks Management Policy, Code of Conduct and of Responsible Practices, Criminal Risk Prevention Policy, Internal Regulations of Conduct in the Securities Markets, Code of Conduct of Manufacturers and Suppliers, Occupational Health and Safety Policy, Sustainability

Policy, Information Security Policy, Procurement Policy, Policy on Communications and Contact with Shareholders, Institutional Investors and Proxy Advisers, Policy and Procedure on Representatives and Attorneys, Policy on Human Rights, Diversity and Inclusion Policy, Compliance Policy, Tax Strategy and Tax Policy, Anti-Money Laundering and Terrorist Financing Policy, Due Diligence Policy, Conflicts of Interest Policy, Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies, Policy on Dealings with Public Servants.

For more details, see Section 5.10 Responsible risk management of the Statement on Non-Financial Information.

Significant events after the reporting period

War began in Ukraine on 24 February 2022, and it continues at the date of preparing these consolidated annual accounts. The conflict has prevented the ordinary course of operations throughout the region.

In this regard, on 5 March 2022, the Group announced that under the current circumstances it could not guarantee the continuity of the operations and commercial conditions in the Russian Federation and temporarily suspended its activity there (this applies to physical stores and the online channel alike). It had halted its operations in Ukraine on 24 February 2022.

In both markets, all the stores (502 in Russia and 84 in Ukraine) are operated under lease, so the value of the Group's net assets in the two markets at 2021 year-end was not material from the perspective of the consolidated financial statements for that year. As these circumstances occurred subsequent to the close of the financial statements, no provision was allocated in this connection, pursuant to IAS 10.

In the current environment, it is difficult to gauge the possible implications of this situation for the Inditex Group, based on the multiple potential developments in the short and medium term. Group's Management continues to track the unfolding conflict and its potential repercussions closely. The Group's businesses in the Russian Federation and Ukraine respectively account for some 8.5% and 1.5% of its EBIT.

Information on the outlook for the Group

Inditex continues to see strong growth opportunities. The strategic initiatives to strengthen our global fully integrated store and online model are accelerating. Sustainability and digitalisation are key parts of our strategy. We plan to continue developing these key long-term priorities in order to maximise organic growth.

The Inditex business model is characterised by a full integration of stores and online providing the latest fashions with the right combination of quality and price to provide a unique customer experience. The flexibility and responsiveness of the business model in conjunction with in-season proximity sourcing allows a swift reaction to consumer demand with price stability and a unique market positioning.

Spring/Summer collections have been very well received by our customers. Store and online sales in constant currency from 1 February to 13 March were 33% above 2021 and 21% above the historic pre-Covid highs of 2019. In this period, sales in the Russian Federation and Ukraine represented approximately 5 percentage points of sales growth.

Inditex has a stable pricing policy. In those markets with temporary material inflation or currency depreciation we make the necessary adjustments to protect the margins. Given these selective actions we expect pricing to contribute to 2022 Spring/Summer sales in mid-single digits, with no impact on volumes as highlighted by the trading update.

At current exchange rates, Inditex expects a neutral currency impact on sales in FY2022.

We expect selective gross space growth in the coming years with highly differentiated, fully integrated, digital and sustainable stores. Gross space growth will take place through new openings, enlargements and relocations. Following the near completion of the store optimisation plan 2020-2021 we expect a neutral space contribution in 2022.

Online sales are expected to exceed 30% of total sales by 2024.

In 2022, Inditex expects a stable gross margin (+/-50 bps).

Inditex's goal is to reinforce the uniqueness of its business model through investments in differentiation, digitalisation and sustainability. Capital expenditure for 2022 will be around €1.1 billion.

Sustainability is a key part of Inditex's strategy, detailed under the Group's Statement on Non-Financial Information included in this document.

Inditex continues to make progress in its sustainable development:

1) 100% renewable energy by 2022
2) Join Life +50% by 2022
3) 100% more sustainable cotton by 2023
4) Elimination of single-use plastics in customer packaging by 2023
5) 100% sustainable cellulosic fibres by 2023
6) 100% of all packaging materials collected for reuse/recycle in our supply chain (Green to Pack)
7) Water consumption -25% in our supply chain by 2025
8) 100% recycled or sustainable polyester/linen by 2025
9) Net zero emissions by 2040

R&D+I activities

The Inditex Group carries out research, development and innovation activities in all areas of its business with the aim of improving the manufacturing and distribution processes and developing technologies that facilitate business management, either using its own resources or with the help of third parties. In particular, we highlight the activity of designing garments, accessories and household items, logistics and those related to technology linked to point-of-sale terminals, to administration and inventory management systems, to delivery systems at distribution centres, to communication with stores, to garments labelling and, finally, to the activity linked to the digital transformation of the business.

Acquisition and sale of treasury shares

The Annual General Meeting held on 16 July 2019, approved a Long-Term Incentive Plan 2019-2023 (Note 26 of the consolidated annual accounts for 2019) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this plan. Similarly, the Annual General Meeting held on 13 July 2021 approved a new Long-Term Incentive Plan 2021-2025 (Note 26).

At 31 January 2021, the Company owned 1,726,305 treasury shares, representing 0.055% of the share capital.

In the first half of 2021, as part of the Temporary Buyback Programme and with the authorisation in force granted by the Annual General Meeting, 2,500,000 treasury shares have been acquired, in order to enable the Parent to meet its obligations to deliver shares to the beneficiaries of the abovementioned Long-Term Incentive Plan 2019-2023.

Consequently, at 31 January 2022, the Company owned a total of 4,226,305 treasury shares, representing 0.136% of the share capital.

Other salient information

Stock market information

The Inditex share price closed 2021 at 26.74 euros per share on 31 January 2022, presenting an increase of 9%. The average daily trading volume was approximately 4.5 million shares. In the same period, the Ibex 35 was up by 11% while the Dow Jones Stoxx 600 Retail rose by 9%.

Inditex's market capitalisation stood at 83,339 million euros at the end of the period, up 810% on its capitalisation when its shares were admitted to trading on 23 May 2001, as compared with a 11% decrease in the Ibex 35 index in the same period.

The dividend for 2020 totalling 0.70 euros per issued share was paid in May and November 2021.

Dividend policy

The dividends paid by the Parent in 2021 and 2020 amounted to 2,180 million euros and 1,090 million euros, respectively. These amounts correspond to payments of 0.70 euros per share and 0.35 euros per share respectively.

The distribution proposed by the Board of Directors is shown in Note 28.

Other disclosures

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2020 that substantially affected its financial position or results.

Information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

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

Annual Corporate Governance Report

In this document includes the 2021 Annual Corporate Governance Report, which will be sent to Spanish National Securities Market Commission as other relevant information on 16 March 2022 and is available on our corporate website (www.inditex.com) and on CNMV website (www.cnmv.es).

Non-financial information and information on diversity, equality, no discrimination and disability

This document includes the Group's Statement on Non-Financial Information, in sections 5.1.1 Diversity, inclusion, equality and work-life balance and 5.1.5 Remuneration policy, which include information about diversity, equality, no discrimination and disability.

Alternative performance measures

The Gross Margin, EBITDA, EBIT, PBT, ROE, ROCE, working capital, net financial position, average net financial debt, quarterly results, sales growth at constant exchange rates and sales in comparable stores, are defined in the introduction to the consolidated annual accounts for 2021.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward-looking statements in the event that any unforeseen changes or events arise which might affect them.¡

Annex II

Income statement: FY2021 quarterly results:

	2021 Quarterly results			
	Q1	Q2	Q3	Q4
Net sales	4,942	6,993	7,390	8,391
Cost of sales	(1,980)	(3,048)	(2,888)	(3,986)
Gross profit	**2,962**	**3,945**	**4,502**	**4,405**
	59.9%	56.4%	60.9%	52.5%
Operating expenses	(1,716)	(2,070)	(2,171)	(2,639)
Other net operating income (losses)	(11)	(9)	(2)	(14)
Gross operating profit (EBITDA)	**1,235**	**1,866**	**2,330**	**1,752**
	25.0%	26.7%	31.5%	20.9%
Amortisation and depreciation	(666)	(749)	(722)	(762)
Operating income (EBIT)	**569**	**1,117**	**1,607**	**990**
	11.5%	16.0%	21.7%	11.8%
Financial results	(34)	(34)	(33)	(42)
Results from companies consolidated by equity method	9	16	14	19
Income before taxes	**544**	**1,099**	**1,588**	**967**
	11.0%	15.7%	21.5%	11.5%
Taxes	(121)	(249)	(356)	(222)
Net income	**423**	**850**	**1,232**	**745**
	8.5%	12.2%	16.7%	8.9%
Minorities	**1**	**-**	**4**	**2**
Net income attributable to the controlling company	**421**	**850**	**1,228**	**744**
	8.5%	12.2%	16.6%	8.9%

Annex III

Detail of stores by concept and market as at 31 January 2022:

Market	Zara	Zara	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	INDITEX
ALBANIA	1	-	1	1	2	2	-	1	8
GERMANY	70	-	11	11	14	-	-	8	114
ANDORRA	1	-	1	1	1	1	1	1	7
SAUDI ARABIA	45	-	20	13	30	42	14	6	170
ALGERIA	3	-	3	1	4	4	2	3	20
ARGENTINA	11	-	-	-	-	-	-	-	11
ARMENIA	2	-	2	2	3	2	1	1	13
ARUBA	1	-	-	-	-	-	-	-	1
AUSTRALIA	18	-	-	-	-	-	-	-	18
AUSTRIA	12	-	4	1	7	-	-	2	26
AZERBAIJAN	3	-	2	3	3	2	1	-	14
BAHREIN	2	-	1	2	1	1	1	1	9
BELGIUM	27	-	7	17	14	2	3	6	76
BELARUS	2	-	2	1	3	3	1	1	13
BOSNIA	3	-	4	1	4	4	-	-	16
BRAZIL	43	-	-	-	-	-	-	8	51
BULGARIA	6	-	4	6	8	4	5	1	34
CANADA	32	-	-	6	-	-	-	-	38
CHILE	9	-	-	-	-	-	-	4	13
MAINLAND CHINA	133	-	-	70	-	-	61	39	303
HONG KONG SAR	12	-	2	1	3	-	-	2	20
MACAO SAR	2	-	-	1	-	-	1	1	5
TAIWAN, CHINA	9	-	3	4	3	-	-	2	21
CYPRUS	7	-	6	6	6	7	5	6	43
COLOMBIA	12	-	9	5	12	12	5	5	60
SOUTH KOREA	37	-	-	8	-	-	4	5	54
COSTA RICA	2	-	2	1	2	2	1	1	11
CROATIA	10	-	7	3	8	7	3	2	40
DENMARK	4	-	-	-	-	-	-	-	4
ECUADOR	2	-	3	1	3	3	1	-	13
EGYPT	9	-	6	6	6	5	4	4	40
EL SALVADOR	1	-	2	-	2	2	1	-	8
UAE	15	-	10	9	11	7	9	6	67
SLOVAKIA	4	-	4	2	7	5	1	1	24
SLOVENIA	4	-	2	1	3	4	-	-	14
SPAIN	256	55	175	145	168	242	130	96	1,267
UNITED STATES	99	-	-	-	-	-	-	-	99
ESTONIA	2	-	1	2	1	1	-	1	8
PHILIPPINES	9	-	3	2	5	4	-	-	23
FINLAND	6	-	-	1	-	-	-	-	7
FRANCE	116	-	39	7	51	32	5	16	266
GEORGIA	4	-	2	4	3	3	2	1	19
GREECE	39	4	22	12	27	23	18	9	154
GUATEMALA	3	-	3	1	3	3	1	1	15
NETHERLANDS	28	-	12	4	17	8	-	6	75
HONDURAS	2	-	2	1	2	2	1	1	11
HUNGARY	9	-	10	4	10	9	3	3	48
INDIA	21	-	-	3	-	-	-	-	24
INDONESIA	16	-	14	5	8	13	4	3	63
IRELAND	10	-	3	2	5	3	-	-	23
ICELAND	1	-	-	-	-	-	-	-	1
ISRAEL	25	-	24	3	17	10	-	2	81
ITALY	92	-	53	3	68	78	24	23	341
JAPAN	75	-	-	-	2	-	-	9	86
JORDAN	3	-	2	3	2	5	2	2	19
KAZAKHSTAN	5	-	5	4	6	5	5	4	34
KUWAIT	7	-	4	4	5	5	4	5	34
LATVIA	3	-	2	4	2	2	2	1	16
LEBANON	3	-	2	3	5	4	3	3	23
LITHUANIA	5	-	3	5	4	4	1	2	24
LUXEMBOURG	3	-	1	2	1	1	1	1	10
NORTH MACEDONIA REP.	2	-	2	2	2	2	1	1	12
MALAYSIA	8	-	4	5	2	-	-	-	19
MALTA	1	-	3	1	1	1	1	3	11
MOROCCO	13	-	3	4	4	7	3	4	38
MEXICO	80	-	69	38	73	53	45	24	382
MONACO	1	-	-	-	-	-	-	-	1
MONTENEGRO	1	-	1	-	1	1	-	-	4
NICARAGUA	1	-	1	-	1	1	-	-	4
NORWAY	5	-	-	-	-	-	-	-	5
NEW ZEALAND	1	-	-	-	-	-	-	-	1
OMAN	1	-	-	-	1	1	1	1	5
PANAMA	2	-	2	1	2	2	1	1	11
PARAGUAY	1	-	-	-	-	-	-	1	2
PERU	4	-	-	-	-	-	-	3	7
POLAND	42	-	34	27	45	49	19	14	230
PORTUGAL	72	9	46	42	42	43	25	23	302
PUERTO RICO	3	-	-	-	-	-	-	-	3
QATAR	6	-	5	6	5	4	4	5	35
UNITED KINGDOM	59	-	9	12	8	7	-	7	102
CZECH REPUBLIC	5	-	3	2	5	4	1	1	21
DOMINICAN REPUBLIC	3	-	1	2	1	2	2	2	13
ROMANIA	25	-	26	13	29	26	13	10	142
RUSSIA	86	-	86	60	106	74	62	41	515
SERBIA	7	-	7	5	8	8	4	4	43
SINGAPORE	8	-	3	4	3	-	-	-	18
SOUTH AFRICA	6	-	-	-	-	-	-	1	7
SWEDEN	8	-	1	3	-	-	-	1	13
SWITZERLAND	20	-	4	4	6	-	1	2	37
THAILAND	12	-	2	4	1	-	1	2	22
TUNISIA	5	-	3	2	4	4	3	2	23
TURKEY	39	-	31	26	32	32	28	17	205
UKRAINE	12	-	17	10	17	15	10	4	85
URUGUAY	2	-	-	-	-	-	-	2	4
VIETNAM	2	-	1	1	-	1	-	-	5
INDITEX	**1,939**	**68**	**864**	**682**	**971**	**915**	**556**	**482**	**6,477**