

INDITEX

Interim Nine Months 2018 Results

1 February 2018 to 31 October 2018

- ♦ Inditex continues to roll out its global, fully integrated store and online platform.
- ♦ Interim 9 months
 - ♦ Strong operating performance: Net sales for the interim nine months 2018 reached €18.4 billion, 3% higher. Sales in local currencies grew 7%.
 - ♦ The currency impact on sales in the period was -4.3%.
 - ♦ Gross profit rose to €10.7 billion, 4% higher. Gross margin reached 58.0% (+56bps).
 - ♦ Tight control of operating expenses.
 - ♦ EBIT was €3.1 billion, 3% higher (+14% in local currencies). EBIT margin was 16.7% (9M2017: 16.7%). Inditex has maintained the EBIT margin despite a -4.3% currency impact on sales.
 - ♦ Net income reached €2.4 billion (€0.783 per share), 4% higher.
- ♦ 2H2018
 - ♦ LFL in 2H2018 to the end of November grew +3%, following a good start to the season, an extraordinarily warm September and +5% LFL in October/November.
 - ♦ In 3Q2018 the currency impact on sales was -3.2%.
 - ♦ Satisfactory execution of the model in 3Q2018. Inditex decided not to participate in the promotional activity widely seen in the sector since September. This high operational efficiency is reflected in the positive evolution of the gross margin in 3Q2018 (+108 bps).
 - ♦ Inditex maintains previous guidance on LFL and gross margin in the 2H2018.
- ♦ Global online sales launches are on track: In November, Inditex launched online sales for Zara in an additional 106 markets. Zara collections are now available in a total of 202 markets.

Performance in the interim nine months 2018

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

Interim 9 months

In the interim nine months 2018, Inditex achieved a strong operating performance. Net sales reached €18.4 billion, 3% higher than 9M2017. Sales in local currencies grew 7%.

The currency impact on sales in the period was -4.3%.

In the interim nine months 2018 Inditex opened stores in 51 markets. At the end of 9M2018 Inditex operated 7,442 stores in 96 markets. A list of total stores by concept is included in Annex 1.

Inditex has continued the global roll-out of its fully integrated store and online platform with the launch of online sales for Zara in 106 new markets in November. Zara collections are now available in a total of 202 markets. All eight of Inditex concepts will be available online worldwide by 2020.

Gross profit rose to €10.7 billion, 4% higher than the previous year. The gross margin reached 58.0% of sales (+56 bps).

Operating expenses are tightly under control. They have grown 4% reflecting the growth in sales and include all start-up costs.

EBIT was €3.1 billion, 3% higher (+14% in local currencies). EBIT margin was 16.7% (9M2017: 16.7%). Inditex has maintained the EBIT margin despite a -4.3% currency impact on sales.

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

The tax rate for 9M2018 is the best estimate for FY2018 according to current information.

Net income came to €2.4 billion, 4% higher.

2H2018

LFL in 2H2018 to the end of November grew +3%, following a good start to the season, an extraordinarily warm September and +5% LFL in October/November.

In 3Q2018 the currency impact on sales was -3.2%.

Satisfactory execution of the model in 3Q2018. Inditex decided not to participate in the promotional activity widely seen in the sector since September. This high operational efficiency is reflected in the positive evolution of the gross margin in 3Q2018 (+108 bps).

Inditex paid €1.2 billion, €0.375 per share, on 2 November 2018 as a FY2017 final ordinary and bonus dividend.

Million Euros	31 October 2018 (*)	31 October 2017 (*)
Cash & cash equivalents	5,103	4,871
Short term investments	1,571	1,241
Current financial debt	(63)	(106)
Non current financial debt	(5)	(5)
Net financial cash (debt)	6,606	6,002

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

Million Euros	31 October 2018 (*)	31 October 2017 (*)
Inventories	3,630	3,510
Receivables	838	931
Payables	(7,124)	(6,720)
Operating working capital	(2,655)	(2,279)

The results for the Full Year 2018 (1 February – 31 January) will be published on 13 March 2019.

2H2018 Outlook

Inditex maintains previous guidance on LFL and gross margin in 2H2018.

For additional information:

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Disclaimer

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

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

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

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

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

- Tables and appendix to follow -

Consolidated financial statements

Grupo Inditex		
9M2018 Profit & Loss statement (€m)		
	9M2018 (*)	9M2017 (*)
Net sales	18,437	17,963
Cost of sales	(7,743)	(7,644)
Gross profit	10,695	10,319
<i>Gross margin</i>	<i>58.0%</i>	<i>57.4%</i>
Operating expenses	(6,740)	(6,476)
Other net operating income (losses)	(23)	(23)
Operating cash flow (EBITDA)	3,932	3,819
<i>EBITDA margin</i>	<i>21.3%</i>	<i>21.3%</i>
Amortisation and depreciation	(862)	(826)
Operating income (EBIT)	3,070	2,993
<i>EBIT margin</i>	<i>16.7%</i>	<i>16.7%</i>
Financial results	12	(0)
Results from companies consolidated by equity method	31	31
Income before taxes	3,113	3,024
<i>EBT margin</i>	<i>16.9%</i>	<i>16.8%</i>
Taxes	(671)	(680)
Net income	2,442	2,344
Minorities	3	3
Net income attributable to the controlling company	2,438	2,341
<i>Net income margin</i>	<i>13.2%</i>	<i>13.0%</i>
Earnings per share, Euros (**)	0.783	0.752

(*) Unaudited data

(**) Shares for EPS calculation 3,113,701,857 for 2018 and 3,113,055,227 for 2017

Grupo Inditex

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

	31 October 2018 (*)	31 October 2017 (*)
Assets		
NON CURRENT ASSETS	11,037	10,286
Intangible assets	991	912
Tangible assets	8,307	7,753
Financial investments	259	244
Other	1,480	1,376
CURRENT ASSETS	11,454	10,831
Inventories	3,630	3,510
Receivables	838	931
Short term investments	1,571	1,241
Cash & cash equivalents	5,103	4,871
Other	312	278
TOTAL ASSETS	22,491	21,117
Total Liabilities & Shareholders' Equity		
SHAREHOLDERS' EQUITY	13,662	12,622
Equity attributable to the Group	13,634	12,597
Minority interests	28	25
NON CURRENT LIABILITIES	1,603	1,571
Deferred taxes	320	279
Financial debt	5	5
Other	1,278	1,287
CURRENT LIABILITIES	7,226	6,923
Financial debt	63	106
Payables	7,124	6,720
Other	39	97
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	22,491	21,117

(*) Unaudited data

Annex 1

Total stores by concept:

Concept	31 October 2018	31 October 2017
Zara	2,118	2,127
Zara Kids	128	139
Pull&Bear	970	986
Massimo Dutti	762	781
Bershka	1,100	1,102
Stradivarius	1,008	1,024
Oysho	666	672
Zara Home	599	587
Uterqüe	91	86
Total	7,442	7,504

Annex 2

Breakdown of financial results:

Million Euros	9M2018	9M2017
Net financial income (losses)	13	11
Foreign exchange gains (losses)	(1)	(11)
Total	12	(0)

Annex 3

The adjustment for hyperinflation in Argentina in the net income attributable to the controlling company is -€11 million.

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