

# INDITEX

## INTERIM THREE MONTHS 2019 RESULTS

1 February 2019 to 30 April 2019

- ♦ Inditex continues to roll out its global, fully integrated store and online platform.
- ♦ Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In March, Inditex launched online sales for Zara in Brazil. In May, Zara launched online sales in Saudi Arabia, United Arab Emirates, Lebanon, Egypt, Morocco, Indonesia, Serbia and Israel. In the Autumn/Winter campaign, Zara will launch online in South Africa, Qatar, Kuwait, Bahrein, Oman, Jordan, Colombia, Philipines and Ukraine.
- ♦ In 1Q2019 Inditex achieved a strong operating performance.
- ♦ Net sales reached €5.9 billion, 5% higher than in 1Q2018. Sales in local currencies increased 5%.
- ♦ Sales in the second half of the quarter were affected by adverse weather patterns as shown by published sector data in a number of markets. Upon the return to normal trading conditions sales recovered accordingly.
- ♦ Store & Online sales in local currencies from 1 May to 7 June grew 9.5%.
- ♦ Store & Online sales in local currency from 1 February to 7 June grew 6.5%.
- ♦ LFL sales are expected to increase 4%-6% in FY2019.
- ♦ Gross profit reached €3.5 billion, up 6%. Gross margin reached 59.5% (+61 bps).
- ♦ The Group has maintained tight control of operating expenses.
- ♦ EBITDA in 1Q2019 came to €1.7 billion vs. €1.1 billion in 1Q2018. EBITDA increased 9% over 1Q2018 excluding the IFRS 16 new rules effects in 1Q2019.
- ♦ Net income increased 10% to reach €734 million (€0.236 per share).
- ♦ Due to the operating performance inventory grew 1% and the cash position 9%.
- ♦ The Board of Directors will propose a new dividend policy at the AGM. The policy will see an increase in the ordinary dividend payout to 60% from 50%. The Board will further propose a total bonus dividend of €1 per share to be paid in relation to FY18, FY19 and FY20. The total dividend for FY2018 will be €0.88, which represents an increase of 17%.
- ♦ Carlos Crespo will be appointed CEO at the AGM to lead the digital transformation and sustainability reporting to Executive Chairman Pablo Isla.

## Performance in 1Q2019

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

Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In March, Inditex launched online sales for Zara in Brazil. In May, Zara launched online sales in Saudi Arabia, United Arab Emirates, Lebanon, Egypt, Morocco, Indonesia, Serbia and Israel. In the Autumn/Winter campaign Zara will launch online in South Africa, Qatar, Kuwait, Bahrein, Oman, Jordan, Colombia, Philippines and Ukraine.

During 1Q2019, Inditex adopted the new lease accounting standard, IFRS 16, using the modified retrospective transition method. The implementation of IFRS 16 does not affect the cash flow or business, but some lines of the income statement become non-comparable with 2018 reported figures.

In 1Q2019 Inditex achieved a strong operating performance. Net sales reached €5.9 billion, 5% higher than in 1Q2018. Sales in local currencies increased 5%.

Sales in the second half of the quarter were affected by adverse weather patterns as shown by published sector data in a number of markets. Upon the return to normal trading conditions sales recovered accordingly.

In 1Q2019 Inditex opened stores in 23 markets. At the end of 1Q2019 Inditex operated 7,447 stores. A list of total stores by concept is included in Annex I.

Gross profit rose to €3.5 billion, 6% higher than the previous year. The gross margin reached 59.5% of sales compared with 58.9% in 1Q2018 (+61 bps).

Operating expenses were tightly managed over the quarter. As mentioned, Inditex started to report under the new IFRS 16 rules, which mainly changes the accounting treatment of leases. The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges, while variable rental expenses remain in the rental expenses line. Operating expenses growth was 5% excluding IFRS 16 new rules effects in 1Q2019.

EBITDA in 1Q2019 came to €1.7 billion vs. €1.1 billion in 1Q2018. EBITDA increased 9% over 1Q2018 excluding the IFRS 16 new rules effects in 1Q2019.

EBIT came to €980 million vs. €851 million in 1Q2018. EBIT increased 7% over 1Q2018 excluding the IFRS 16 new rules effects in 1Q2019.

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

The tax rate for 1Q2019 is the best estimate for FY2019 according to current information.

Net income in 1Q2019 grew 10% to €734 million vs. €668 million in 1Q2018. Net income increased 7% over 1Q2018 excluding the IFRS 16 new rules effects in 1Q2019.

Inditex maintained its solid financial position at the end of the quarter. IFRS 16 adoption is neutral for net financial position, as the lease liability is not considered financial debt based on its non-interest bearing features. The Group paid €1.4 billion (€0.44 per share) as FY2018 interim dividend on 2 May 2019.

Million Euros	30 April 2019	30 April 2018
Cash & cash equivalents	5,307	4,915
Short term investments	1,477	1,272
Current financial debt	(115)	(82)
Non current financial debt	(9)	(5)
Net financial cash (debt)	6,660	6,100

Due to the operating performance, inventory grew 1% and the cash position 9%. The operating working capital position remains negative as a result of the business model:

Million Euros	30 April 2019	30 April 2018
Inventories	2,923	2,900
Receivables	846	884
Payables	(6,306)	(5,937)
Operating working capital	(2,536)	(2,153)

## Start of 2Q2019

Store & Online sales in local currencies from 1 May to 7 June grew 9.5%.

Store & Online sales in local currency from 1 February to 7 June grew 6.5%.

LFL sales are expected to increase 4%-6% in FY2019.

## Agreements of the Board of Directors

Inditex's Annual General Meeting (AGM) will take place at the Company's registered office on 16 July 2019.

Inditex's Board of Directors has proposed a new dividend policy at the AGM. The proposed policy will see an increase of the ordinary dividend payout to 60% from 50%. The Board will further propose a total bonus dividend of €1 per share to be paid in relation to FY2018, FY2019 and FY2020. The total dividend will be €0.88, which represents an increase of 17%. The first dividend payment of €0.44 was made on 2 May 2019 and the second dividend payment of equal amount will be made on 4 November 2019.

Inditex's Nominations Committee, at the proposal of its Executive Chairman, Pablo Isla, has agreed to submit for approval to the Board of Directors the appointment of Carlos Crespo, currently Chief Operating Officer (COO), as the Group's Chief Executive Officer (CEO). The appointment will take effect following approval by the Board of Directors, once appointed Director at the AGM, to be scheduled in July. In his new position as CEO, reporting to Pablo Isla as Executive Chairman, Carlos Crespo will be responsible for the following areas: Technology (Systems, Data & Digital), IT Security, Logistics and Transportation, Construction & Works, Legal, Procurement and Sustainability. The company's shareholders will also be asked to re-elect Pablo Isla as Executive Chairman at the AGM.

For additional information:

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## Disclaimer

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

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

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

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

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

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

- Tables and appendix to follow -

## Consolidated financial statements

<b>Grupo Inditex</b>		
1Q2019 profit & loss statement (€m)		
	1Q2019 (*)	1Q2018 (*)
Net sales	5,927	5,654
Cost of sales	(2,402)	(2,326)
Gross profit	3,524	3,328
Gross margin	59.5%	58.9%
Operating expenses	(1,842)	(2,194)
Other net operating income (losses)	(8)	(9)
EBITDA	1,675	1,125
EBITDA margin	28.3%	19.9%
Amortisation and depreciation	(696)	(273)
Operating income (EBIT)	980	851
EBIT margin	16.5%	15.1%
Financial results	(36)	7
Results from companies consolidated by equity method	9	8
Income before taxes	952	866
EBT margin	16.1%	15.3%
Taxes	(216)	(197)
Net income	736	669
Minorities	2	2
Net income attributable to the controlling company	734	668
Net income margin	12.4%	11.8%
<b>Earnings per share, Euros (**)</b>	<b>0.236</b>	<b>0.214</b>

(\*) Unaudited data

(\*\*) Shares for EPS calculation 3,113,942,530 for 2019 and 3,113,701,857 for 2018

## Grupo Inditex

Consolidated Balance Sheet as of 30 April 2019 (€m)

	30 April 2019 (*)	30 April 2018 (*)
<b>Assets</b>		
<b>NON CURRENT ASSETS</b>	16,400	10,398
Right of use	5,515	0
Intangible assets	556	938
Tangible assets	8,433	7,854
Financial investments	293	247
Other	1,605	1,358
<b>CURRENT ASSETS</b>	10,843	10,320
Inventories	2,923	2,900
Receivables	846	884
Short term investments	1,477	1,272
Cash & cash equivalents	5,307	4,915
Other	290	349
<b>TOTAL ASSETS</b>	<b>27,244</b>	<b>20,718</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		
<b>SHAREHOLDERS' EQUITY</b>	13,392	13,063
Equity attributable to the Group	13,356	13,036
Minority interests	36	28
<b>NON CURRENT LIABILITIES</b>	5,813	1,582
Deferred taxes	318	284
Financial debt	9	5
Lease liability	4,949	0
Other	537	1,292
<b>CURRENT LIABILITIES</b>	8,039	6,073
Financial debt	115	82
Lease liability	1,574	0
Payables	6,306	5,937
Other	44	55
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>27,244</b>	<b>20,718</b>

(\*) Unaudited data

## Annex I

Number of stores by concept:

Concept	30 April 2019	30 April 2018
Zara	2,128	2,112
Zara Kids	128	130
Zara Home	595	594
Pull&Bear	972	972
Massimo Dutti	761	772
Bershka	1,103	1,094
Stradivarius	996	1,012
Oysho	673	671
Uterqüe	91	91
Total	7,447	7,448

## Annex II

Breakdown of Financial results:

Million Euros	1Q2019	1Q2018
Net financial income (losses)	4	5
Lease financial expenses	(39)	0
Foreign exchange gains (losses)	(2)	2
Total	(36)	7

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