INDITEX
CONSOLIDATED RESULTS FOR FISCAL 2017

CONFERENCE CALL SCRIPT
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Inditex Participants

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Ignacio Fernández - CFO
Marcos López - Capital Markets Director

Conference Call Participants

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Cedric Lecasble Raymond James – Analyst
Andrew Hughes UBS – Analyst
Chiara Battistini JP Morgan – Analyst
Rebeca Macclellan Santander –Analyst
Simon Irwin Credite Suisse – Analyst
Ashley Wallace Bank of America – Analyst
Simon Bowler Exane – Analyst

Operator

Good morning ladies and gentlemen. Welcome to the presentation of Inditex results for fiscal 2017. The presentation will be chaired by Mr. Pablo Isla, Chairman and CEO.

This presentation will be followed by a Q&A session comprising two parts: The first part will be dedicated to questions received on the telephone, followed by those questions received through the webcast platform. Mr. Isla you have the floor.

Slide 3

Good morning to all the participants in this webcast conference call regarding INDITEX Results for Fiscal 2017.

I am Pablo Isla and here with me today are Ignacio Fernández, our CFO and Marcos López, Capital Markets Director.

Slide 4: 2017: Overview

2017 has been a year of strong execution for Inditex.

Slide 5: 2017: Overview

We operate a global sales platform that fully integrates stores and online and offers huge growth potential. Our business model combines stores and digital seamlessly, and we are ready for the opportunities that this brings with current and new customers.

In 2017 Inditex had a strong operating performance.

We have had very satisfactory organic growth in a year marked by two external factors: Strong volatility in key currencies and unusually warm temperatures in the Autumn.

In this context we have achieved strong like for like sales and double digit growth in local currencies in Sales, Gross profit and EBIT.

We finished 2017 with operations on 5 continents, through 8 concepts, 7,475 stores and online sales.

We continue to see significant growth opportunities for Inditex globally.

Slide 6: FY 2017 Overview

I would like to highlight some key lines of these results.

In 2017 Inditex continued expanding in a very strong way. Sales reached 25.3 billion euros. Local currency sales grew +10%.

LFL sales increased strongly at +5% over a highly demanding comparable of +10%. We achieved positive LFL´s across all geographies and in all concepts in 2017.

Online sales grew +41% to reach 10% of Group sales in 2017. Online sales account for 12% of sales in the markets in which we have online sales.

In the period, EBIT came to 4.3 billion euros, a growth rate of +12% in local currencies.

Based on the performance of our business over the year the Board of Directors is proposing a 10.3% increase in the dividend to be paid in relation to these results.

Slide 7: Global fully integrated Store & Online

We are in a unique position as we enjoy a global sales platform that fully integrates stores and online as the best way to respond to the demands of our customers.

Slide 8: Differentiated business model

We operate a highly differentiated business model, with a central inventory position, distribution to all our stores globally at least twice a week and global online with same day delivery in big cities and next day as standard.

2017 has been marked by very strong activity in many areas. I would like to cover a number of initiatives carried out by Inditex.

Slide 9: Highly prominent and differentiated stores 2017

Over fiscal 2017 we have reinforced significantly the differentiation of our key global flagships with very visible store openings and enlargements.

A key example is our global flagship of 6,000 square metres for Zara at Paseo de la Castellana in Madrid, the largest Zara store in the world.

Slide 10: Highly prominent and differentiated stores 2017

I would also like to highlight our flagship in Venice at Fondamenta Oresolo.

Slide 11: Highly prominent and differentiated stores 2017

A great example is also the Zara Man flagship in Milan at Corso Vittorio Emanuele.

Slide 12: Highly prominent and differentiated stores 2017

I would also like to highlight the pop-up store at Stratford in London dedicated to online orders…

Slide 13: Highly prominent and differentiated stores 2018

.. While we complete the enlargement of the Zara global flagship to more than 4,000 square metres to be opened in May.

Inditex has been very active in store optimisation activities in 2017. We have opened stores in 58 markets.

Slide 14: Global online

This strong store presence works perfectly in conjunction with our global online platform.

Slide 15: Global online +41% to 10% of sales in 2017

With this in mind we want to share with you that online sales grew 41% to reach 10% of Group sales in 2017. Online sales account for 12% of sales in the markets in which we have online sales.

We believe that Inditex is in an excellent position to take advantage of global growth opportunities. We have strong potential to continue expanding profitably in the coming years.

Slide 16: Financial Summary

Let me now hand over to Ignacio who will present some of the key aspects of our financial performance and I will join you later for the outlook section.

Slide 17: FY 2017

Thank you.

In fiscal 2017 Inditex had a strong operating performance.

Net sales reached 25.3 billion Euros, EBIT 4.3 billion Euros and net income 3.4 billion Euros. We have achieved double digit growth in local currencies in sales, Gross Profit and EBIT as you can see in the right hand side column of the chart.

Slide 18: Sales

Starting with sales I want to tell you that Inditex's performance in the period has been satisfactory with local currency sales growth of 10%. The translation of sales into currencies different to the Euro deducted 1.5% from the reported figure. At current exchange rates we estimate -2.5% translation for 2018, with a more pronounced impact in the first half than in the second half of the year.

Slide 19: Global sales platform

The ongoing expansion of our Group has resulted in a global sales platform, with a presence on 5 continents, both in the northern and southern hemispheres.

Slide 20: Strong LFL performance

Life for like sales have grown 5% on top of a very demanding 10% comparable in 2016. Like for like sales have been positive in all geographical areas and concepts.

Slide 21: New Space in prime locations globally grew 7.4%

The year has been marked by very strong activity. We have invested in the optimisation of our stores through the introduction of new images, refurbishments and enlargements. In 2017 we have had 524 openings, 341 absorptions, 144 enlargements and 122 refurbishments. Over 2017 Inditex´s new space in prime locations grew 7.4%.

Slide 22: Gross Profit

Gross profit has increased 7% to 14.3 billion Euros, resulting in a 56.3% gross margin on sales. The gross profit in local currencies grew 10%. Gross margin in local currencies came to 56.8%. We have sustained our commercial policies over the period.

At current exchange rates, for 2018 we expect a neutral impact from currency on the gross margin as the benefit from the weakness of the USD in our Asian sourcing will offset the currency impact from the strong euro on sales. This will be more evident in the second half.

Slide 23: Tight control of operating expenses

Operating expenses are tightly under control. They have grown 9% reflecting the strong LFL sales performance, and the significant addition of new space in prime locations.

This line includes all the start-up costs for new space, refurbishments and the rollout of online sales.

Slide 24: Depreciation and amortization

The depreciation line decreased 9% in 2017 to 963 million euros.

In 2017 Inditex sold 15 premises (13 in Spain and 2 in Portugal). The results of this sale are included in Divestment of tangible assets. Inditex also made the decision to provision all costs associated with 2018 store absorptions in the 2017 accounts and are included in net impairments.

Slide 25: Flexible business model

Operating working capital remains negative as a result of the business model. The operating working capital is in line with the performance of the business.

The movement in accounts payable and receivable is due to a change in the calendar of tax payments.

Slide 26: Cash flow

This is also reflected in the cash flow.

Funds from operations before corporate income tax increased 5% to 5.4 billion Euros.

Ordinary capital expenditure grew 8% to 1.5 billion euros, reflecting the strong openings and optimisation activities of 2017.

At the same time the dividends paid in 2017 increased 14% to 2.1 billion euros and the net cash position grew 5% to 6.4 billion euros.

Inditex continues to enjoy a very strong financial position.

Slide 27: Concepts

I will now hand over to Marcos who will elaborate on the performance of the Inditex concepts.

Slide 28: Sales by concept

Continuing with our global expansion we have opened stores in 58 markets over 2017. Global online launches have continued at a very rapid pace.

Regarding the performance by concept in 2017 Zara continues to represent approximately 2/3rds of group sales, the younger concepts around 1/3rd.

Slide 29: Concepts

I would like to highlight the strong operating performance of the Group over 2017. Let me point out that in this period all Inditex concepts have achieved positive LFL sales growth and double digit EBIT margin and strong Return on Capital Employed.

Slide 30: Concepts

The younger concepts grouped together have performed well.

I would like to highlight that Pull&Bear, Bershka and Oysho have performed strongly.

All concepts continue their ongoing online rollout.

Slide 31: Outlook

I will now hand over to Pablo for the outlook section.

Slide 32: Strategic Initiatives

As early as 2012 we announced to you a number of strategic initiatives to strengthen our global fully integrated Store & Online model.

Global growth, digitalisation, mobility were topics we had in mind when we approached you at that stage. Inditex revenues were 16 billion euros then.

We announced plans to optimise an already very strong retail presence with larger and more prominent stores, the enlargement of all key flagships and the absorption of smaller units.

We also mentioned the ambition to continue expanding our global online operations in a fully integrated manner.

We launched a unique RFID project designed to maximise productivity.

By the end of fiscal 2017, with 10 billion euros of additional sales, we want to update you on where we stand in the process and the next steps to be taken.

Our organic growth remains strong.

Online sales grew +41% to reach 10% of Group sales in 2017. Online sales account for 12% of sales in the markets in which we have online sales.

RFID was fully implemented for Zara by 2016. It will be in full operation in Massimo Dutti and Pull&Bear by 2018 and across the group by 2020.

We continue to invest in logistics and head office functions to ensure future growth, while we expect a lower capital intensity going forward.

Slide 33: Global growth opportunities

In the coming years we will continue to invest in the expansion of the business globally through our fully integrated store and online model. The current base offers huge growth potential.

Slide 34: Global growth opportunities: Europe

In Europe, we continue to see important growth opportunities. We have a very strong presence with stores and online in all the markets.

Slide 35: Global growth opportunities: Asia

In Asia we enjoy a very strong position in all the key markets of the region. We are following a multi-concept expansion strategy in Asia.

In 2017 we launched online in all the key South East Asian markets: India, Singapore, Malaysia, Thailand and Vietnam.

Practically all the Asian markets are now covered through our store and online model.

We see huge long-term potential for Inditex in Asian markets.

Slide 36: Global growth opportunities: Americas

We also see strong growth opportunities in the Americas, with a number of attractive growth markets.

We are following a multi-concept and an online sales strategy in the Americas.

We have a significant online presence in the United States, Canada and Mexico. And we will continue extending our online operations.

Slide 37: Global growth opportunities: Australia, New Zealand and South Africa

We have continued expanding Zara in Australia, New Zealand and South Africa over 2017, confirming the global reach of our business model.

Slide 38: Global online sales

Inditex's online operations have seen very rapid growth in recent years. Our business model allows a strong development of our online sales with same day delivery in metropolises and next day as global standard.

Slide 39: 2017: Online launch in Australia & New Zealand

The latest step was the online launch of Zara in Australia and New Zealand this morning.

Slide 40: Store & Online: Vast Land Collection

We continue developing new initiatives in a fully integrated way as seen in the launch of Zara's Vast Land Collection…

Slide 41: Store & Online: Let the Good times roll Collection

The Let the Good Times Roll collection…

Slide 42: Store & Online: Spring Games Collection

The Spring games Collection…

Slide 43: Store & Online: Join Life

… and the organic cotton collection Join Life.

Slide 44: Strong differentiation of stores

The differentiation of our retail base is very high due to our business model, with more prominent stores, RFID and global Click & Collect. We are also introducing the latest technical novelties.

Slide 45: Self check out

Like self check out…

Slide 46: Global Click&Collect

And click and collect silos.

Slide 47: Store Optimisation

We have worked very intensively on the optimisation of our retail base. Over the last 6 years we have opened around 3,000 new stores, refurbished more than 1,200 stores, enlarged 900 stores while we have absorbed more than 1,000 stores. The activity has been especially intense over 2017.

Slide 48: Strong Growth opportunities

We expect a lower capital expenditure requirement for expansion. We see capital expenditure growing below space growth. We see ordinary capital expenditure for 2018 at around 1.5 billion euros.

For 2018 we expect new space in prime locations of around 6% net of absorptions. Inditex expects gross openings of 350-400 stores and the selective absorption of around 200 stores. All costs related to absorptions in 2018 have been provisioned for already in fiscal 2017.

In the coming years we expect 4-6% growth of new space in prime locations in conjunction with our global online sales rollout.

Slide 49: 10.3% increase in dividend

Regarding shareholder remuneration the Board of Directors will propose at the General Shareholders Meeting a 10.3% increase in the dividend for fiscal 2017 to 0.75 euros per share. The total dividend payment will come to 2.3 billion euros.

This means the dividend has grown at a compound annual rate of 13% since 2011.

Slide 50: FY2018 Outlook

Finally, let me tell you that Store & Online sales in local currencies, have increased by 9% from 1 February to 11 March 2018.

As you all know, the Spring/Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

And this is all from us. We will be pleased to answer any questions you may have.

Questions & Answers

Operator

Ladies and gentlemen, the telephone Q&A session starts now. If you wish to ask a question, please dial 01 on your telephone keypad. We request that you limit yourself to only one question per turn so we can maximize the number of participants in the session. If you have further queries you may dial 01 again after the next person's question has been addressed. Thank you.

The first question comes from Richard Chamberlain from RBC, please go ahead.

Richard Chamberlain - RBC - Analyst

Thanks very much. Good morning, everyone. So maybe I can start with a question on the recent trading patterns, if that's all right. We have seen a fairly stable like-for-like sales performance for the year but quite volatile like-for-like sale trends between quarters, and I understand that you have chosen to delay the launch of the spring collection again. So, my question is, should we expect that to boost sales and gross margin for Q1 in the first half because of that changing commercial policy? And also, has there been any effect on the inventory position as well?.

Pablo Isla - Inditex - Chairman & CEO

Thank you. You know that we do not like to elaborate about sales performance in a short period of time. What we can tell you is that like-for-like sales growth has been healthy during the year, 5%. Healthy we think in the first half at 6%, and in the second half it was 5%, so healthy evolution of like-for-likes. And then you were mentioning the trading update. It is, of course, a very short period of time. It is a 9% total sales growth during this period. Again, it is a very demanding comparable, so we can say that in terms of sales we are seeing a healthy start of the year, but as you know, we don't like to elaborate very much on a very short period of time.

Richard Chamberlain - RBC - Analyst

Can you confirm that you have changed your commercial policy again for the spring season, in which case I guess we should expect a potential positive influence on sales and gross margin for the first quarter?

Pablo Isla - Inditex - Chairman & CEO

I think, Richard, that in the end of the first half we mentioned that we were focused on aligning more and more the launch of the collections both in stores and online, and you can imagine that this something that we are putting in practice as well.

Richard Chamberlain - RBC - Analyst

Okay. All right, thanks.

Operator

The next question comes from Anne Critchlow, from Societé Generale. Please, go ahead.

Anne Critchlow - Societé Generale - Analyst

Thanks very much. So, my question is about CAPEX outlook. I think in the past you said that CAPEX should grow more slowly than space. How do you feel about it now that the space expansion guidance has come down a bit?

Pablo Isla - Inditex - Chairman & CEO

We are seeing CAPEX growth below space growth, and in fact, in terms of ordinary CAPEX, if we think about the next year, we are seeing CAPEX stable compared to this year. It is 1.5 billion euros what we are seeing as ordinary CAPEX in year 2018. So, of course, this is what we can tell you and this is what could be the trend in the future.

Anne Critchlow - Societé Generale - Analyst

And then just a quick follow-up, please on the gross margin. What would be your expectations for the year if we exclude currency?

Pablo Isla - Inditex - Chairman & CEO

Our expectation for year 2018, as we always say, of course, the gross margin is a combination of many different things. It has to do with like-for-like sales growth, it has to do with fashion trends, it has to do with markups, markdowns, and then of course, it has to do with currencies. And what we were saying during the presentation is that for the year 2018 we are not seeing any currency impact on the gross margin. Because we take advantage from the dollar in terms of our Asian sourcing, that will compensate the impact on sales that comes from the strong euro. So, globally, we would say a stable gross margin for the year 2018, as we always say, and in this case, without any significant currency impact at current exchange rates.

Anne Critchlow - Societé Generale - Analyst

Thank you very much.

Operator

The next question comes from Cedric Lecasble from Raymond James, please, go ahead.

Cedric Lecasble – Raymond James - Analyst

Good morning. Follow-up on the first question and the commercial adaptation of this growing share of online. Is it fair to assume that the changes in the collection phasing that we have seen in 2017 is now something which is in place and won't change radically in 2018, meaning that we will annualize in 2018 the impact from the gross margin in Q2 and Q4 that we have seen last year?

Pablo Isla - Inditex - Chairman & CEO

That's correct, Cedric.

Cedric Lecasble – Raymond James - Analyst

Okay. So it was a kind of one-off negative adaptation impact?

Pablo Isla - Inditex - Chairman & CEO

Exactly. I mean, basically the process has now been fully implemented.

Cedric Lecasble – Raymond James - Analyst

Thank you.

Operator

The next question comes from Andrew Hughes, from UBS. Please go ahead.

Andrew Hughes - UBS - Analyst

Good morning, everyone. I had a few questions on online. So, thank you for giving us more information on that. You also normally say that online sales do not dilute the EBIT margin. You haven't said that today. Has something changed there or you haven't gotten around to telling us that yet?

Pablo Isla - Inditex - Chairman & CEO

There is no change from that point of view. We can tell you the same, online sales are not dilutive. In fact, if you analyse OPEX over sales in the last two years, and you take out the currency impact, there is leverage in terms OPEX over sales. But in terms of guidance, there is no change from this point of view. Online sales are not dilutive in terms of the EBIT margin.

Andrew Hughes - UBS - Analyst

Okay. In terms of your best markets online, I know you are talking about 12% being the average where you have a website. What's the best market in terms of online proportion?

Pablo Isla - Inditex - Chairman & CEO

You were saying at the beginning that you appreciated very much about us disclosing the global online figure and the rate of growth, but this is a never ending process. What we can tell you is that what is relevant for us much more than to talk about this or that market, is that online grew last year 41%, now it is representing 12% of total sales in the markets in which we have an online presence. It has been very relevant from the point of view of our global sales growth. And that's why what we are doing is… Because what we can say is that the growth profile of the company remains the same with different components. Online sales is becoming more and more relevant and space contribution, of course, will continue being there. But as far as we are adding a little bit less space, it will be a little bit lower, and then we have store like-for-like sales growth, that we continue achieving, and that for us is a very relevant metric to continue achieving store like-for-like sales growth. So, all the elements combined, what we can tell you is that the growth profile of the company remains the same and it becomes less capital intensive because of how much online sales growth is adding to the total sales growth figure in the company.

Andrew Hughes - UBS - Analyst

Okay, great. One last question. I think you said a while ago that you were going to trial using store stop to fulfill online orders within Zara, because of the RFID capabilities that you have. Have you got any comments on how that trial is progressing?

Pablo Isla - Inditex - Chairman & CEO

It is something that now we are implementing during this year in most of the countries. Now it is fully implemented in all the Zara stores in Spain and it is very helpful from every point of view: from the point of view of store management and from the point of view of the available online offer for our customers. It is very efficient from every point of view. So, what we did was to begin in the Zara stores in Spain as a test, then we implemented it in all the Zara stores in Spain, and now during this year we are implementing -we can say- progressively, our idea is to implement it in every country in which we have online sales.

Andrew Hughes - UBS - Analyst

That particularly helps with same day delivery.

Pablo Isla - Inditex - Chairman & CEO

It helps from every point of view, because it helps for same day delivery, it helps also because there could be a garment that we do not have available stock in the online stock room, but we could have available stock in the store's stock room. This garment can also be offered online. So, it helps to increase sales, it helps for the deliveries, and it helps in terms of the stock management during the season. This is full integration of stock between stores and online.

Andrew Hughes - UBS - Analyst

Great. Thank you very much.

Pablo Isla - Inditex - Chairman & CEO

Thank you.

Operator

The next question comes from Chiara Battistini from JP Morgan. Please go ahead.

Chiara Battistini – JP Morgan - Analyst

Good morning, hello, thank you for taking my question. Coming back on the gross margin in quarter 4, the decline of 140 basis points, would you be able to split that on the drivers that caused such decline, please? How much effect and what are the drivers, please. Thank you.

Pablo Isla - Inditex - Chairman & CEO

I think that during the presentation we have mentioned that the main drag on gross margin in the year was currency. And this was the case. We have given the adjusted number to you. You see that basically, if you look at the gross margin in local currencies, which was stable last year with gross profit growth of 10%, so you can imagine that apart from minor effects coming from adjusting the beginning of the season as we have done, the main driver was currency.

Chiara Battistini – JP Morgan - Analyst

Great, thank you. If I may ask another question. Would you be able to give some color on how your trading is going in China, please? Thank you.

Pablo Isla - Inditex - Chairman & CEO

Well, you know that we don't like to elaborate in a very short period of time in any particular market, but what I can tell you is that the evolution of our business in China is very healthy. It is a combination between stores and online as in many other markets. In China we have a strong store presence with all of our brands, with the exception of Uterqüe but in fact, we are planning to launch Uterqüe in China during this year, so our presence will be complete with all our brands in China and always with this combination between stores and online, a strong online presence, strong stores. And regarding stores, always the combination between high street locations, shopping malls. We have opened a very significant store for Zara Home in Shanghai very recently. We are planning to open a very significant one for Massimo Dutti also in Shanghai. So, we continue developing our business in a very healthy way, of course, with Zara and with all the other brands with this combination between stores and online.

Chiara Battistini – JP Morgan - Analyst

Great. Thank you.

Operator

The next question comes from Rebecca McClellan Santander. Please, go ahead.

Rebeca Mcclellan - Santander - Analyst

Good morning, everyone. Can you just perhaps give us a bit more detail on the 41% online sales growth in 2017. What part of that was thanks to new markets and what was basically the sort of like-for-like cost online in its market that has been present for a while?

Pablo Isla - Inditex - Chairman & CEO

Most of it was organic, 98%, 99% of it was organic. Because during the year, the markets we have added were very few and only in the second part of the year, so, most of it was organic. And we believe, as we always say, very much in this fully integrated approach between stores and online, and during the presentation we were mentioning the strategy that we began to put in place and we announced to you in the year 2012, and how we are developing this strategy. If you see our store portfolio and you think about our space in the last six years, we have acted over more than 80% of our total space in terms of new openings, absorptions, refurbishments, enlargements, and we believe very much in this approach combined with online: this fully integrated approach. The latest step in this direction has to do with what I was mentioning before, the fully integrated stock between stores and online, that, as I was saying to you, now it is already implemented for all the Zara stores in Spain, and we are implementing it in the different geographies during this year. And we think this is quite strong approach for us, thinking about the coming years; very strong online presence in the different markets. Currently we have more than 10 million visits every day in our online webs and apps all over the world. So, very strong online presence, very significant online sales growth combined with stores, opening stores in a very selective way in super prime locations, enlarging refurbishing our existing stores and progressively absorbing smaller stores. So, this is our global approach, that we think it has a strong growth potential in the coming years.

Rebeca Mcclellan - Santander - Analyst

Excellent. And how does that 41% compare to, let's say, 2016 or 2015? Is that a similar trajectory? Is there a slowdown or an acceleration?

Pablo Isla - Inditex - Chairman & CEO

We prefer not to elaborate too much, because then you begin to go to years in which the base was different and then in years in which we were introducing online in different markets. What we can tell you is that it is a very relevant sales growth figure, as you can see, and that most of it is organic. Maybe close to 100% organic, because the new markets are not that many that have been added. And we continue to see very significant online sales growth in the coming years, of course.

Rebeca Mcclellan - Santander - Analyst

Okay. Sorry, just one more question. What's the approach with breakeven point in terms of like-for-like of the store park? There has been a lot of work done in the store park, so, I am assuming with that, sort of try to bring down the operating breaking point. What would it be currently?

Pablo Isla - Inditex - Chairman & CEO

Well, what we can tell you is that whatever positive like-for-like sales growth figure in the stores, we have not seen any deleverage, because we are becoming also more and more efficient in the stores, with technology, as we have been mentioning to you before. For example, when we have the implementation of RFID, the store becomes more efficient in terms of the deliveries to the store, in terms of the replenishment, in terms of the management of the stock room. So, as far as we are also incorporating a lot of technology inside the stores, we are becoming more and more efficient. You have seen also this "Click & Collect" new system that we are implementing in selected stores, which is also very efficient. So, many different actions, and for us what is relevant, if we think about the year 2017, is that we have had… of course, we had a very demanding comparable coming from the previous year, but on a very particular year, because we were mentioning at the beginning of the presentation that this has been the warmest autumn in records. So, this is also challenging. But even with that, we have achieved this 5% like-for-like sales growth with a strong online sales growth, 41%, and at the same time, keeping this positive in a store like-for-like sales growth. So, I think globally, what we can say about 2017 is that for us it is a satisfactory year combining all the different elements that have taken place during the year.

Rebeca Mcclellan - Santander - Analyst

Okay. Thank you very much.

Operator

The next question comes from Simon Irwin from Credit Suisse . Please, go ahead.

Simon Irwin – Credite Suisse - Analyst

Good morning, gentlemen. Thanks for taking my question. Could I just ask you about the impact of mix on your gross margin given the weakness of the dollar as to what impact that makes in terms of overall gross margin, given the differential pricing around the world?

Marcos López – CEO

Basically I think that during the presentation we referred to the gross margin. We have mentioned that the main impact in the gross margin over the year was due to currencies. I think that what is important is to talk about the future and we have mentioned regarding the gross margin going forward, that in the coming year we do not see any net impact from currencies in the gross margin because the weaker dollar will offset at current exchange rates the impact of a strong euro in translation. I think this is the most relevant thing that I would like to say. Regarding mix and different pricing, I think that the prices are very homogeneous at this stage and we don't see any significant impact coming from that.

Simon Irwin – Credit Suisse - Analyst

I presume that your comments on the positive impact of your dollar sourcing relies on pricing in Europe being relatively stable. Obviously, historically lower dollar prices in Europe have tended to be passed through to some degree to customers. Are you assuming that this won't happen this year?

Marcos López – CEO

I'm not assuming anything on that. But, you know, our pricing strategy is based on being top of mind in fashion. On average, the prices are 15 to 20 euros globally. As you can imagine, the range is very tight at the moment. We don't expect to change our strategy on that, because basically, we compete mainly in fashion, we understand that this might be an issue for the price end of the market, but for us it is the execution of the business model. And I think that the best example is the 5% like-for-like we have achieved in this year on top of a 10% compared to the previous year.

Simon Irwin – Credit Suisse - Analyst

And can I just do one follow-up on working capital? There have been some significant changes in the kind of movements around working capital. Can you talk us through the components of that?

Marcos López – CEO

Yes, the components are extremely simple. There is a change in the calendar of tax payments in the year affecting receivables and payables and that is it. The working capital fundamentals have remained very much the same in the business.

Simon Irwin – Credit Suisse - Analyst

Can you give us an estimate of what the overall change was in euros?

Marcos López – CEO

It is practically the whole change that you see in the year. The rest, the fundamentals remain the same. It is all based on this calendar of tax payments.

Simon Irwin – Credite Suisse - Analyst

Okay. Thank you very much

Marcos López – CEO

Thank you.

Operator

The next question comes from Ashley Wallace from Bank of America. Please, go ahead.

Ashley Wallace – Bank of America - Analyst

Hi. Good morning. My first question is about online. Thank you for giving more information about 41% growth and 10% of your revenues coming from that online part of your business. Given one of your biggest competitors is now talking about the margins of its online business, I was wondering if you are able to give us any color around profitability of the online channel.

Pablo Isla - Inditex - Chairman & CEO

What we can tell you is what I was saying before, and what you have been hearing from us during all these years, that online is not at all dilutive when we analyse the EBIT margin. So, it is becoming a relevant part of our business more and more, with significant growth and it is not at all dilutive.

Ashley Wallace – Bank of America - Analyst

Okay.

Operator

The next question comes from Simon Bowler from Exane. Please, go ahead.

Simon Bowler – Exane - Analyst

Good morning. I was wondering if you could shed more light on the profits within the numbers from the sale of the stores, the divestment of tangible assets, does that account for the total of the 257 million that you have disclosed, and can you give any sense of how that is split within quarters? I believe that's the first time that you have disclosed that number and also, whether this kind of profit contribution we should expected to repeat in future years.

Marcos - Inditex – Capital Markets Director

Okay. Regarding what we have mentioned in the note, is that in 2017 we have sold 15 premises; 13 in Spain and 2 in Portugal. The results of this operation is included in divestment of tangible assets, that we have provided a breakdown in the note. The absorption costs associated with 2018 have been provisioned already in fiscal year 2017 and are included in net impairments. So, clearly, what we can tell is that all the costs of absorbing stores in 2018 have already been booked in 2017.

Simon Bowler – Exane - Analyst

Looking at provisions numbers, were the costs for 2017 provisioned for in 2016?

Marcos - Inditex – Capital Markets Director

No, they are fully charged in 2017. This is why we are having this detail, because obviously, in 2017 you have a higher level of impairment.

Simon Bowler – Exane - Analyst

And that looks like a net impairment number that has some other things and noise within it, if I read that correctly. Can you give a sense of how much of that balance is just relating to the 2018 provisions? The majority of it or more than the absolute number?

Marcos - Inditex – Capital Markets Director

I think that we have given a lot of detail in the year we plan to absorb around 200 stores and the cost for that is already booked.

Simon Bowler – Exane - Analyst

Okay. If you can't split out, how much that cost is within that number itself?

Marcos - Inditex – Capital Markets Director

It is fully booked.

Simon Bowler – Exane - Analyst

If we just come back to the 257 million, kind of profit contribution, is that a kind of profit contribution from store sales that we should expect to repeat in future years or I guess it is going to be a lumpy part of your business? I am trying to ascertain whether year 2017 was a particularly active year or whether you think that this is not going to be longer part of your P&L.

Marcos - Inditex – Capital Markets Director

Okay, two parts to your answer. In 2017 we have been especially active and the 2018 activity in terms of impairment is already fully booked. In terms of sales of stores, this can always happen, but obviously, would not have such a strong impact.

Simon Bowler – Exane - Analyst

Okay. Thank you.

Operator

We are now finished with the telephone Q&A session, to address the questions received through the Webcast platform.

Operator 2

Thank you, good morning. We have had a number of questions on the Webcast platform, the first of which relates to: Can you confirm whether the strong growth in online sales is organic? I know you have already covered this largely with your questions to Santander. I don't know if there is anything that you would like to add to that, but following from that, do you plan on opening more online markets?

Pablo Isla - Inditex - Chairman & CEO

Yes, as you were saying, this question has been addressed during the call. What we can tell you is that it is practically all organic. Of course, our idea is to continue implementing online in the different markets. Today we are beginning our online sales in Australia and New Zealand. We have very strong expectations about this market, always with the same approach, a fully integrated approach between stores and online. You know that we are present in Australia since several years ago. In New Zealand our presence is more recent and our idea is, of course, to continue implementing in the different markets. We believe very much in this approach, fully integrated store and online model is working quite well for us. We have this fully integrated approach from every point of view, commercial actions, product, and now even the stock. So, everything is integrated from this point of view, we believe very much in this approach, and our idea is to continue, of course, opening more online markets in the coming months and years. Our plan is to have an online presence in all the markets in which we have physical presence.

Operator 2

The next question is: Do you have any comment to make on the younger concepts? Do you see any special growth opportunities in these special concepts?

Pablo Isla - Inditex - Chairman & CEO

If you analyse our younger concepts, all of them have had this year a positive like-for-like sales growth, which is something very unique. If you have company with eight different concepts and all of them having positive like-for-like sales growth, we apply the same model, a fully integrated store and online model, launching online in the different markets in which we are present with the different concepts. Now we are in the process of implementing RFID in all our concepts, which is going to help them from many different points of view in the way we manage the stock and the way we replenish the stores, and also for this fully integrated approach between stores and online. So, it is very difficult for me to mention this or that concept. If you see the return on capital employed, all of them are very healthy and all of them have positive like-for-like sales growth and our idea is to continue developing them in the different markets.

Operator 2

That concludes the Webcast questions.

Pablo Isla - Inditex - Chairman & CEO

Thank you very much to all of you for joining us in this Webcast conference call and thank you for your questions. And we will be ready to answer any additional questions you may have through our capital markets department. Thank you very much.

Operator

Thank you. This concludes our conference call. You may now disconnect your lines. Thank you.

(Session concluded)