

INDITEX

INTERIM HALF YEAR 2019 RESULTS

1 February 2019 to 31 July 2019

- ♦ Inditex continues to expand 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 August, Zara launched online in Bahrain, Oman, Kuwait, Qatar and Jordan. In September/October, Zara will launch online in South Africa, Colombia, Philippines and Ukraine.
- ♦ In 1H2019 net sales reached €12.8 billion, 7% higher than in 1H2018. Sales in local currencies grew 7%.
- ♦ Like-for-like sales grew 5% and were positive across all concepts and all geographies, in both stores and online.
- ♦ Gross profit reached €7.3 billion, 7% higher. Gross margin reached 56.8% (+12bps).
- ♦ Tight control of operating expenses.
- ♦ EBITDA in 1H2019 came to €3.4 billion vs. €2.3 billion in 1H2018. EBITDA increased 8% over 1H2018 excluding the IFRS 16 new rules effects in 1H2019.
- ♦ Net income increased 10% to reach €1.5 billion (€0.498 per share).
- ♦ Due to the strong operating performance and the healthy working capital evolution the cash position increased 13%.
- ♦ A dividend of €0.44 per share will be payable on 4 November 2019 as FY2018 final ordinary and bonus dividend.
- ♦ Autumn/Winter initial collections have been well received. Store & Online sales in local currencies increased 8% between 1 August and 8 September. Management estimates like-for-like sales growth of 4%-6% in FY2019.

Performance in 1H2019

Inditex continues to expand 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.

During 1H2019, 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 1H2019 Inditex achieved a strong operating performance. Net sales reached €12.8 billion, 7% higher than in 1H2018. Sales in local currencies increased by 7%.

Like-for-like sales grew 5% in 1H2019 on 4% in 1H2018 and were positive across all concepts and all geographies, in both stores and online. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of first half fiscal years 2019 and 2018) and online. This represents 89% of total sales.

In 1H2019 Inditex opened stores in 31 markets. At the end of 1H2019 Inditex operated 7,420 stores. A list of total stores by concept is included in Annex I.

Net sales by concept in 1H2019 and 1H2018 are shown in the table below:

Concept	1H2019	1H2018
Zara (Zara & Zara Home)	8,895	8,292
Pull&Bear	873	851
Massimo Dutti	844	811
Bershka	1,080	1,045
Stradivarius	776	690
Oysho	301	290
Uterqüe	52	46
Total	12,820	12,025

Inditex operates a global sales platform. Store and online sales by geographical area are shown in the table below.

Area	1H2019	1H2018
Europe ex-Spain	44.4%	44.2%
Asia & RoW	24.0%	24.5%
Spain	15.6%	16.1%
America	16.0%	15.2%
Total	100.0%	100.0%

The gross profit rose to €7.3 billion, 7% higher than the previous year. The gross margin reached 56.8% of sales (+12bps).

Operating expenses were tightly managed over the first half. As mentioned, Inditex started to report under the new IFRS 16 rules, which mainly changes the accounting treatment of leases. The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges, while variable rental expenses remain in the operating expenses line. Operating expenses growth was 6% excluding IFRS 16 new rules effects in 1H2019.

EBITDA in 1H2019 came to €3.4 billion vs. €2.3 billion in 1H2018. EBITDA increased 8% over 1H2018 excluding the IFRS 16 new rules effects in 1H2019.

EBIT came to €2 billion vs. €1.8 billion in 1H2018. EBIT increased 7% over 1H2018 excluding the IFRS 16 new rules effects in 1H2019.

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

The tax rate for 1H2019 is the best estimate for FY2019 according to current information.

Net income in 1H2019 grew 10% to €1.5 billion vs. €1.4 billion in 1H2018. Net income increased 7% over 1H2018 excluding the IFRS 16 new rules effects in 1H2019.

Inditex paid €1.4 billion, €0.44 per share, on 2 May 2019 as FY2018 interim ordinary dividend and €0.44 per share will be payable on 4 November 2019 as FY2018 final ordinary and bonus dividend.

Inditex maintained its solid financial position at the end of 1H2019:

Million Euros	31 July 2019	31 July 2018
Cash & cash equivalents	4,808	4,091
Short term investments	2,006	1,899
Current financial debt	(80)	(40)
Non current financial debt	(4)	(5)
Net financial cash (debt)	6,730	5,944

Due to the strong operating performance and the healthy working capital evolution the cash position increased 13%. The operating working capital position remains negative as a result of the business model:

Million Euros	31 July 2019	31 July 2018
Inventories	2,664	2,803
Receivables	841	871
Payables	(6,632)	(6,386)
Operating working capital	(3,127)	(2,713)

Start of 2H2019

Autumn/Winter initial collections have been well received. Store & Online sales in local currencies increased 8% between 1 August and 8 September. Management estimates like-for-like sales growth of 4%-6% in FY2019.

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

Global Online

In line with the previous announcement regarding the increasing level of integration between the online operations of Zara and Zara Home, from 17 September, Zara Home collections will be available on the Zara website in the UK. This will be further rolled out across new markets progressively over the coming year.

In August, Zara launched online in Bahrain, Oman, Kuwait, Qatar and Jordan. In September/October, Zara will launch online in South Africa, Colombia, Philippines and Ukraine.

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The interim nine months 2019 results will be published on 11 December 2019.

For additional information:

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Consolidated financial statements

Grupo Inditex		
1H2019 profit & loss statement (€m)		
	1H2019	1H2018
Net sales	12,820	12,025
Cost of sales	(5,536)	(5,208)
Gross profit	7,284	6,817
<i>Gross margin</i>	56.8%	56.7%
Operating expenses	(3,823)	(4,459)
Other net operating income (losses)	(14)	(15)
Operating cash flow (EBITDA)	3,447	2,343
<i>EBITDA margin</i>	26.9%	19.5%
Amortisation and depreciation	(1,407)	(559)
Operating income (EBIT)	2,040	1,784
<i>EBIT margin</i>	15.9%	14.8%
Financial results	(77)	21
Results from companies consolidated by equity method	24	18
Income before taxes	1,987	1,823
<i>EBT margin</i>	15.5%	15.2%
Taxes	(434)	(413)
Net income	1,553	1,411
Minorities	3	2
Net income attributable to the controlling company	1,549	1,409
<i>Net income margin</i>	12.1%	11.7%
Earnings per share, Euros (*)	0.498	0.452

(*) Shares for EPS calculation 3,114,239,413 for 2019 and 3,113,701,857 for 2018

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

	31 July 2019	31 July 2018
Assets		
NON CURRENT ASSETS	16,647	10,670
Right of use	5,803	0
Intangible assets	569	984
Tangible assets	8,436	8,116
Financial investments	253	247
Other	1,587	1,322
CURRENT ASSETS	10,594	9,984
Inventories	2,664	2,803
Receivables	841	871
Short term investments	2,006	1,899
Cash & cash equivalents	4,808	4,091
Other	276	321
TOTAL ASSETS	27,242	20,654
Total Liabilities & Shareholders' Equity		
SHAREHOLDERS' EQUITY	12,881	12,632
Equity attributable to the Group	12,848	12,604
Minority interests	33	28
NON CURRENT LIABILITIES	6,036	1,564
Deferred taxes	301	284
Financial debt	4	5
Lease liability	5,193	0
Other	538	1,274
CURRENT LIABILITIES	8,325	6,459
Financial debt	80	40
Lease liability	1,583	0
Payables	6,632	6,386
Other	30	32
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	27,242	20,654

Annex I

Number of stores by concept:

Concept	31 July 2019	31 July 2018
Zara	2,123	2,109
Zara Kids	128	129
Zara Home	588	593
Pull&Bear	970	969
Massimo Dutti	754	764
Bershka	1,101	1,093
Stradivarius	999	1,007
Oysho	667	667
Uterqüe	90	91
Total	7,420	7,422

Annex II

Breakdown of Financial results:

Million Euros	1H2019	1H2018
Net financial income (losses)	8	10
Lease financial expenses	(75)	0
Foreign exchange gains (losses)	(10)	11
Total	(77)	21

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

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.