

INDITEX

INTERIM HALF YEAR 2017 RESULTS

1 February 2017 to 31 July 2017

- ◆ Inditex continues to expand its global, fully integrated store and online platform.
- ◆ Net sales reached €11.7 billion, 11.5% higher than in 1H2016.
- ◆ Like-for-like sales grew 6% and were positive across all geographies.
- ◆ Gross profit reached €6.6 billion, 11% higher. Gross margin reached 56.4%.
- ◆ Tight control of operating expenses.
- ◆ EBITDA came to €2.3 billion, 9% higher than the prior year.
- ◆ EBIT was €1.7 billion, 9% higher.
- ◆ Net income reached €1.37 billion (€0.439 per share), 9% higher than the prior year.
- ◆ A dividend of €0.34 per share will be payable on 2 November 2017 as FY2016 final ordinary and bonus dividend.
- ◆ Global online sales launches are on track. Zara will launch online sales in India on 4 October.
- ◆ Store and online sales in local currencies have increased by 12% from 1 August to 17 September 2017.

Performance in 1H2017

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

In 1H2017 Inditex achieved a strong operating performance. Net sales reached €11.7 billion, 11.5% higher than in 1H2016. Sales in local currencies increased by 11%.

Like-for-like sales grew 6% in 1H2017 on 11% in 1H2016 and were positive across all geographies. The like-for-like calculation includes 84% of total store and online sales.

In 1H2017 Inditex opened stores in 35 markets.

At the end of 1H2017 Inditex operated 7,405 stores in 93 markets, demonstrating its global reach. A list of openings and total stores by concept is included in Annex I.

Net sales by concept in 1H2017 and 1H2016 are shown in the table below:

Concept	1H2017	1H2016	17/16
Zara	7,737	6,957	11%
Pull&Bear	765	681	12%
Massimo Dutti	791	720	10%
Bershka	1,016	893	14%
Stradivarius	664	607	9%
Oysho	271	229	18%
Zara Home	383	343	12%
Uterqüe	45	36	27%
Total	11,671	10,465	11.5%

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

Area	1H2017	1H2016
Europe ex-Spain	43%	43%
Asia & RoW	25%	25%
Spain	16%	17%
America	16%	15%
Total	100%	100%

The Gross profit rose to €6.6 billion, 11% higher than the previous year. The Gross margin reached 56.4% of sales. The performance in 1H17 was mainly due to the mix effect caused by the strong appreciation of the euro versus most major currencies since June. Inditex also took the commercial decision to make a quick transition from the Spring/Summer season into Autumn/Winter, programming in a strong launch of the campaign in August.

Operating expenses were tightly managed over the period growing by 11.5%, mainly as a result of the addition of new retail space and the variable costs linked to the sales performance. Operating expenses include all the start-up costs for new openings.

EBITDA came to €2.3 billion, 9% higher than the prior year. EBIT came to €1.7 billion, 9% higher than the prior year.

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

The tax rate for 1H2017 is the best estimate for FY2017 according to current information.

Net income came to €1.37 billion, 9% higher than the prior year.

Inditex paid €1.1 billion, €0.34 per share, on 2 May 2017 as FY2016 interim ordinary dividend and €0.34 per share will be payable on 2 November 2017 as FY2016 final ordinary and bonus dividend.

Inditex maintained its solid financial position at the end of 1H2017:

Million Euros	31 July 2017	31 July 2016
Cash & cash equivalents	3,813	3,551
Short term investments	1,731	1,498
Current financial debt	(74)	(126)
Non current financial debt	(5)	(1)
Net financial cash (debt)	5,465	4,923

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

Million Euros	31 July 2017	31 July 2016
Inventories	2,745	2,650
Receivables	825	695
Payables	(6,058)	(5,521)
Operating working capital	(2,488)	(2,176)

Start of 2H2017

Store and online sales in local currencies have increased by 12% from 1 August to 17 September 2017.

Ordinary capital expenditure in FY2017 is expected to be approximately €1.5 billion.

Store and online launches

In August 2017 we launched Zara, Bershka, Massimo Dutti, Pull&Bear, Stradivarius, Oysho and Zara Home in Minsk, Belarus with a very warm reception.

Global online sales launches are on track. So far this year, Zara has launched online in Singapore, Malaysia, Thailand and Vietnam. Zara will launch online sales in India on 4 October.

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The Interim Nine Months 2017 Results will be published on 13 December 2017.

For additional information:

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Consolidated financial statements

Grupo Inditex		
1H2017 profit & loss statement (€m)		
	1H2017	1H2016
Net sales	11,671	10,465
Cost of sales	(5,090)	(4,520)
Gross profit	6,582	5,945
<i>Gross margin</i>	<i>56.4%</i>	<i>56.8%</i>
Operating expenses	(4,274)	(3,830)
Other net operating income (losses)	(16)	(3)
Operating cash flow (EBITDA)	2,292	2,112
<i>EBITDA margin</i>	<i>19.6%</i>	<i>20.2%</i>
Amortisation and depreciation	(548)	(506)
Operating income (EBIT)	1,744	1,606
<i>EBIT margin</i>	<i>14.9%</i>	<i>15.3%</i>
Financial results	(1)	0
Results from companies consolidated by equity method	20	23
Income before taxes	1,763	1,628
<i>EBT margin</i>	<i>15.1%</i>	<i>15.6%</i>
Taxes	(397)	(370)
Net income	1,366	1,258
Minorities	0	1
Net income attributable to the controlling company	1,366	1,256
<i>Net income margin</i>	<i>11.7%</i>	<i>12.0%</i>
Earnings per share, Euros (*)	0.439	0.404

(*) Shares for EPS calculation 3,112,726,553 for 2017 and 3,113,212,529 for 2016

Grupo Inditex

Consolidated Balance Sheet as of 31 July 2017 (€m)

	31 July 2017	31 July 2016
Assets		
NON CURRENT ASSETS	9,944	9,191
Intangible assets	926	898
Tangible assets	7,480	6,827
Financial investments	227	201
Other	1,311	1,266
CURRENT ASSETS	9,445	8,717
Inventories	2,745	2,650
Receivables	825	695
Short term investments	1,731	1,498
Cash & cash equivalents	3,813	3,551
Other	332	323
TOTAL ASSETS	19,389	17,909
Total Liabilities & Shareholders' Equity		
SHAREHOLDERS' EQUITY	11,610	10,848
Equity attributable to the Group	11,588	10,812
Minority interests	23	35
NON CURRENT LIABILITIES	1,509	1,328
Deferred taxes	263	280
Financial debt	5	1
Other	1,241	1,048
CURRENT LIABILITIES	6,269	5,733
Financial debt	74	126
Payables	6,058	5,521
Other	137	87
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	19,389	17,909

Annex I

Openings and total stores by format:

Concept	Net openings		Total Stores	
	1H2017	1H2016	31 July 2017	31 July 2016
Zara	25	19	2,092	2,021
Zara Kids	(3)	(11)	143	149
Pull&Bear	5	17	978	953
Massimo Dutti	7	9	772	749
Bershka	17	9	1,098	1,053
Stradivarius	21	12	1,015	962
Oysho	19	8	655	615
Zara Home	17	22	569	524
Uterqüe	5	(2)	83	70
Total	113	83	7,405	7,096

Annex II

Breakdown of Financial results:

Million Euros	1H2017	1H2016
Net financial income (losses)	6	3
Foreign exchange gains (losses)	(8)	(3)
Total	(1)	0

The Gross Margin, EBITDA, EBIT, ROE and ROCE are defined in the introduction to the Consolidated Annual Accounts 2016.

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.