INDITEX

GROUP CONSOLIDATED ANNUAL ACCOUNTS

AS AT 31 JANUARY 2018

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 33). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte, S.L.
Ferrol 1
15004 A Coruña
España

Tel: +34 981 12 46 00
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Industria de Diseño Textil, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2017").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Measurement of inventories	
Description	**Procedures applied in the audit**
As indicated in Note 12, the value of the Group's inventories at year-end was EUR 2,685 million, representing 13.3% of the Group's total assets. These inventories relate mainly to finished goods and are distributed among the various points of sale, distribution centres and other warehouses managed by the Group. Given the nature of the business of Inditex, a very high volume of stock-keeping units (SKUs) is designed and put on sale over the course of the year; these SKUs rotate based on the season and customer tastes and demand, generating, therefore, a high volume of movements of inventories. We identified this matter as key in our audit, due to the importance of the judgements and assumptions applied by the Group to determine the cost and recoverable amount of each SKU and the complexity of the logistics activities carried on by the Group in order to manage its products, which give rise to numerous SKU movements between various different locations.	In response to this key matter, our audit included, among others, the following procedures: - An assessment of the consistency of the accounting principles and rules applied by the Group to measure its inventories at 31 January 2018 with the applicable regulatory financial reporting framework. - An assessment of the design, implementation and operational effectiveness of the key controls in place in the inventory management and measurement process, with the involvement of our IT experts in performing the tests on automatic controls applied to the relevant software involved in the process. - For a representative sample, verification that the finished goods inventories were correctly measured, using a recomposition of the measurement of those inventories based on the cost of acquiring them from suppliers and considering the costs directly attributable to such goods. - Assessment of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and actual historical and other information, such as sales and returns after the reporting date. - Assessment of consolidated Notes to the financial statements disclosure compliance with the regulatory financial reporting framework. The results of the procedures performed in relation to the analysis of the accounting principles and rules and estimates applied by the Group, to the assessment of the key controls in place in the measurement process, to the disclosures included in the consolidated notes to the financial statements and to the performance of specific substantive tests were satisfactory.

Impairment of non-current assets (stores)	
Description	**Procedures applied in the audit**
As indicated in the Note 13, at 31 January 2018, the Group's property, plant and equipment amounted to EUR 7,644 million and related mainly to investments made in stores operated by the Group and to the value of the investments in corporate non-current assets (logistics centres, offices, etc.). Under EU-IFRSs, the Group must perform an impairment test on its portfolio of stores when there are indications of potential impairment or reversals thereof. The definition of indications that the stores' non-current assets may have suffered impairment and the performance of an impairment test thereon were identified as key in our audit, since management's assessment of possible impairment is a complex process that includes a significant level of estimates, judgements and assumptions. The main assumptions used by the Group were as follows: - determination of the cash-generating units; - the income and expense growth rates by country and cash-generating unit; - the specific discount rates used in each country; - the estimated terms of the leases of the stores operated under leases; and - the tax rates to be applied to the cash flows generated.	In response to this key matter, our audit included, among others, the following procedures: - An assessment of whether the methodology established by management to identify indications of impairment and the quantification thereof for each cash-generating unit are appropriate, comparing their consistency with the applicable financial reporting framework. - An assessment of the design, implementation and operational effectiveness of the relevant controls implemented by the Group to ensure the accuracy of the estimation of impairment and the completeness of its recognition for accounting purposes. - Involvement in the audit team of valuation experts to evaluate the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various geographical areas. - Analysis of the consistency and reasonableness of the assumptions used by Group management in the impairment tests, including, inter alia, a detailed review of the sensitivity tests in which management stresses those assumptions considered key. - Based on a representative sample of cash-generating units, a review of the correctness and accuracy of the calculations performed to determine the recoverable amount of the aforementioned cash-generating units. - Assessment of consolidated Notes to the financial statements disclosure compliance with the regulatory financial reporting framework. The results of the procedures performed in relation to the analysis of the methodology, criteria and assumptions applied by the Group, to the assessment of the key controls in place in the process for calculating and recognising the impairment of stores, to the disclosures included in the consolidated notes to the financial statements and to the performance of specific substantive tests on the calculations made were satisfactory.

IT systems	
Description	**Procedures applied in the audit**
The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on the IT system and its correct functioning. In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing. Due to their importance and the audit effort required, knowledge, evaluation and validation of the general financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations) were considered a key matter in our audit.	In response to this key matter, our work included the following procedures in which our audit team IT specialists were involved: - Identification of relevant IT items and software in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and assessment of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software. - An assessment of the design, implementation and operational effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An assessment of the design, implementation and operational effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, inventories, accounting closing and consolidation. The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the accompanying consolidated financial statements.

Other Information: Consolidated Directors' Report

The *Other information* comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level applicable to the non-financial statement and to some of the information included in the Annual Corporate Governance Report, as defined in article 35.2.b) of Spanish Audit Law 22/2015, which consists of solely checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on wheather the aforementioned information is consistent with the financial statements, based on the knowledge of the Group obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentantion are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's Audit and Control Committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's Audit and Control Committee dated 13 March 2018.

Engagement Period

The Parent's Annual General Meeting held on 18 July 2017 appointed us as auditors for a period of one year from the year ended 31 January 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 January 2013.

DELOITTE, S.L.
Inscrita en el R.O.A.C. Nº S0692

Germán de la Fuente
Inscrito en el R.O.A.C. Nº 15.976

13 March 2018

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's Audit and Control Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Audit and Control Committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's Audit and Control Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS
AT 31 JANUARY 2018

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED INCOME STATEMENT
(Amounts in millions of euros)

	(notes)	*2017*	*2016*
Net sales	(3)	25,336	23,311
Cost of sales	(4)	(11,076)	(10,032)
GROSS PROFIT		**14,260**	**13,279**
		56.3%	*57.0%*
Operating expenses	(5)	(8,944)	(8,176)
Other losses and income, net	(6)	(38)	(20)
GROSS OPERATING PROFIT (EBITDA)		**5,277**	**5,083**
Amortization and depreciation	(7)	(963)	(1,063)
NET OPERATING PROFIT (EBIT)		**4,314**	**4,021**
Financial results	(8)	(5)	10
Results of companies accounted for using the equity method	(16)	42	48
PROFIT BEFORE TAXES		**4,351**	**4,078**
Income tax	(23)	(979)	(917)
NET PROFIT		**3,372**	**3,161**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**5**	**4**
NET PROFIT ATTRIBUTABLE TO THE PARENT		**3,368**	**3,157**
BASIC AND DILUTED EARNINGS PER SHARE, euros	(9)	1.082	1.014

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts in millions of euros)

	(notes)	*2017*	*2016*
Net profit		3,372	3,161
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognise directly in equity:			
Translation differences related to financial statements of foreign operations		(395)	70
Cash flow hedges			
Profit	(25)	6	25
Loss	(25)	(31)	(8)
Tax effect		(2)	(4)
Total		**(423)**	**83**
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(17)	(36)
Loss	(25)	0	0
Tax effect		4	10
Total		**(13)**	**(26)**
Total comprehensive income for the year		**2,936**	**3,218**
Total comprehensive income attributable to:			
Equity holders of the Parent		**2,931**	**3,214**
Non-controlling interests		**5**	**4**
Total comprehensive income for the year		**2,936**	**3,218**

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET
(Amounts in millions of euros)

	(notes)	*31-01-18*	*31-01-17*
ASSETS			
NON-CURRENT ASSETS		***10,084***	***9,723***
Rights over leased assets	(14)	457	505
Other intangible assets	(14)	255	211
Goodwill	(15)	207	196
Property, plant and equipment	(13)	7,644	7,283
Investment property		21	21
Financial investments	(16)	237	231
Other non-current assets	(17)	520	554
Deferred tax assets	(23)	744	722
CURRENT ASSETS		***10,147***	***9,898***
Inventories	(12)	2,685	2,549
Trade and other receivables	(11)	778	861
Income tax receivable	(23)	110	107
Other current assets		160	141
Other financial assets	(25)	12	87
Current financial investments	(19)	1,472	2,037
Cash and cash equivalents	(19)	4,931	4,116
TOTAL ASSETS		***20,231***	***19,621***
EQUITY AND LIABILITIES			
EQUITY		***13,522***	***12,752***
Equity attributable to the Parent		13,497	12,713
Equity attributable to non-controlling interests		25	38
NON-CURRENT LIABILITIES		***1,536***	***1,419***
Provisions	(20)	259	242
Other non-current liabilities	(21)	1,005	920
Financial debt	(19)	4	0
Deferred tax liabilities	(23)	268	257
CURRENT LIABILITIES		***5,173***	***5,451***
Financial debt	(19)	12	62
Other financial liabilities	(25)	105	64
Income tax payable	(23)	151	230
Trade and other payables	(18)	4,906	5,095
TOTAL EQUITY AND LIABILITIES		***20,231***	***19,621***

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in millions of euros)

		2017	2016
Profit before taxes and non-controlling interest		**4,351**	**4,078**
Adjustments to profit-			
Amortization and depreciation	(7)	963	1,063
Foreign exchange translation differences		(75)	(11)
Provisions for impairment		91	52
Results of companies consolidated by equity method	(16)	(42)	(48)
Other		151	69
Income tax		**(1,029)**	**(798)**
Funds from operations		**4,411**	**4,406**
Variation in assets and liabilities			
Inventories		(293)	(389)
Receivables and other current assets		216	(177)
Current payables		(372)	291
Changes in working capital		**(449)**	**(275)**
Cash flows from operating activities		**3,961**	**4,131**
Payments relating to investments in intangible assets		(183)	(173)
Payments relating to investments in property, plant and equipment		(1,589)	(1,259)
Collections relating to divestments of property, plant and equipment		381	-
Payments relating to investment in companies		(30)	-
Collections relating to investment in other financial investments		44	27
Payments relating to investment in other financial investments		(24)	(13)
Payments relating to investment in other assets	(17)	(25)	(53)
Collections relating to investment in other assets	(17)	29	24
Changes in current financial investments		565	(951)
Cash flows from investing activities		**(833)**	**(2,396)**
Collections relating to non-current financial debt		3	-
Payments relating to non-current financial debt		(3)	0
Payments relating to acquisitions of treasury shares		(12)	(35)
Changes in current financial debt		(47)	53
Dividends		(2,127)	(1,871)
Cash flows used in financing activities		**(2,186)**	**(1,853)**
Net increase in cash and cash equivalents		943	(118)
Cash and cash equivalents at the beginning of the year	(19)	4,116	4,226
Effect of exchange rate fluctuations on cash and cash equivalents		(128)	8
Cash and cash equivalents at the end of the year	(19)	**4,931**	**4,116**

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in millions of euros)

	Equity attributable to the Parent										
	Capital	**Share premium**	**Retained earnings**	**Other reserves**	**Reserves of companies accounted for using the equity method**	**Treasury shares**	**Translation differences**	**Cash flows**	**Subtotal**	**Non-controlling interests**	**Total equity**
Balance at 1 February 2016	**94**	**20**	**11,526**	**78**	**131**	**(73)**	**(393)**	**28**	**11,410**	**41**	**11,451**
Profit for the year	-	-	3,157	-	-	-	-	-	3,157	4	3,161
Distribute results	-	-	(56)	-	56	-	-	-	-	-	-
Distribute dividends	-	-	28	-	(28)	-	-	-	-	-	-
Transfers	-	-	(83)	-	-	-	83	-	-	-	-
Other movements	-	-	(15)	-	2	-	-	-	(13)	(3)	(17)
Other comprehensive income for the year	-	-	-	-	-	-	70	(13)	57	-	57
Translation differences related to foreign operations	-	-	-	-	-	-	70	-	70	-	70
Cash flow hedges	-	-	-	-	-	-	-	(13)	(13)	-	(13)
Operations with equity holders or owners	-	-	(1,882)	(2)	-	(14)	-	-	(1,897)	(3)	(1,900)
Treasury shares	-	-	-	-	-	(35)	-	-	(35)	-	(35)
Share-based collections	-	-	-	17	-	-	-	-	17	-	17
Share-based payments	-	-	(14)	(19)	-	21	-	-	(12)	-	(12)
Dividends	-	-	(1,868)	-	-	-	-	-	(1,868)	(3)	(1,871)
Balance at 31 January 2017	**94**	**20**	**12,675**	**76**	**161**	**(87)**	**(240)**	**15**	**12,713**	**38**	**12,752**
Balance at 1 February 2017	**94**	**20**	**12,675**	**76**	**161**	**(87)**	**(240)**	**15**	**12,713**	**38**	**12,752**
Profit for the year	-	-	3,368	-	-	-	-	-	3,368	5	3,372
Distribute results	-	-	(48)	-	48	-	-	-	-	-	-
Distribute dividends	-	-	23	-	(23)	-	-	-	-	-	-
Transfers	-	-	(102)	-	-	-	102	-	-	-	-
Other movements	-	-	(19)	-	(2)	-	-	-	(21)	(2)	(23)
Other comprehensive income for the year	-	-	-	-	-	-	(395)	(41)	(436)	-	(436)
Translation differences related to foreign operations	-	-	-	-	-	-	(395)	-	(395)	-	(395)
Cash flow hedges	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Operations with equity holders or owners	-	-	(2,151)	14	-	10	-	-	(2,128)	(15)	(2,143)
Treasury shares	-	-	-	-	-	(12)	-	-	(12)	-	(12)
Share-based collections	-	-	-	32	-	-	-	-	32	-	32
Share-based payments	-	-	(20)	(19)	-	22	-	-	(17)	-	(17)
Acquisition of minority interest	-	-	(14)	-	-	-	-	-	(14)	(5)	(19)
Dividends	-	-	(2,117)	-	-	-	-	-	(2,117)	(10)	(2,127)
Balance at 31 January 2018	**94**	**20**	**13,747**	**90**	**183**	**(77)**	**(533)**	**(26)**	**13,497**	**25**	**13,523**

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see below and Note 33). In the event of a discrepancy, the Spanish-language version prevails.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AS AT 31 JANUARY 2018

The consolidated annual accounts of the Inditex Group for 2017 were prepared by the Board of Directors on 13 March 2018 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2016 were approved by the shareholders at the Annual General Meeting held on 18 July 2017.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations (IFRICs and SICs) adopted by the European Union (EU-IFRSs) and with the other provisions of the applicable regulatory financial reporting framework.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2017 will hereinafter be referred to as "2016", the twelve-month period ended 31 January 2018 as "2017", and so on.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in millions of euros.

The separate annual accounts of the Parent (Inditex) for 2017 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2018, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2017 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

The Group uses certain performance measures additional to those defined in IFRSs, since these measures include information that is essential to assess the evolution of the Group.

In the consolidated income statement, gross profit, EBITDA and EBIT are defined as follows:

- Gross profit: the difference between sales and the cost of sales. Notes 3 and 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.
- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and amortization, calculated as the gross profit less operating expenses and other losses and income, net.
- Operating income (EBIT): earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortization.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as EBIT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non-current assets, excluding the deferred tax assets, of the concept.
- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

In preparing the consolidated annual accounts as at 31 January 2018 estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The determination of inventory costs.
- The useful life of the property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of pension and other obligations to employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The term of leases.
- The amount of the future minimum non-cancellable operating lease payments.
- The recovery of deferred tax assets.

These estimates were made using the best information available at 31 January 2018 and 2017. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In preparing these consolidated annual accounts the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

The basis of consolidation and accounting policies applied are disclosed in Note 2.

1) Activity and description of the Group

Industria de Diseño Textil, S.A. (“Inditex”, “the Group”, “the Group Inditex”, “the Company” or “the Parent”), with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a global group of companies present in 5 continents, in both hemispheres, north and south.

Inditex is listed on all the four Spanish stock exchanges.

Its activity consists on offering the latest fashion trends (clothing, footwear, accessories and household textile products) at attractive prices, in due time and with high quality and sustainability standards.

Inditex offers creative fashion based on customer expectations thanks to its fully integrated online and store business.

Inditex carries out its activity through various retail concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each concept is carried out through a store and online model, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the activity is performed through franchises.

Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The Group holds joint ownership interests in the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

The Group does not have any other significant non-controlling interests.

The quickness of the product’s useful lifecycle, from the design to the sale, would not be possible without the integration and flexibility that characterize all the phases of the value chain: design, production, logistics, stores, online and clients.

Commercial and design teams have a clear customer orientation. Inditex listens and transmits the demands of the clients both in stores and online to the teams (first directly, then through automated information systems, until reaching the digital information) and use this information to react quickly, manufacturing the desired items in very short lead times, in order to make them available for sale as soon as possible.

The manufacturing and supply have been designed with a mixed model that allows to adapt the production to the market pull. During the 2017 business year, 57% of the factories in which the Company has manufactured its items are in geographical proximity (countries such as Spain, Portugal, Morocco and Turkey) and the remaining 43% are long distance. In this way, Inditex maintains the ability to adapt the internal or supplier production to the change of trends in each commercial campaign.

The Group's logistics system allows continuous deliveries to stores and online throughout the season, from the logistic centres of each of the retail concepts. This system essentially operates through centralized logistics centres for each of the concepts, from which the stock is distributed to all the stores and online worldwide.

The people who populate our Company enable the sustained and sustainable development of this model, a diverse group of professionals of 97 different nationalities, characterized by their creative talent, their passion for fashion, teamwork, entrepreneurial spirit, permanent innovation and responsible efforts.

The goal of the Group is to offer fashionable products that meet with the most demanding sustainability, health and safety standards. All on the basis of respect and promoting human rights, transparency and ongoing dialogue with our stakeholders.

At 31 January 2018, the various Group concepts had stores in operation with the following geographical distribution:

	Number of stores		
	Company managed	Franchises	Total
Spain	1,647	41	1,688
Rest of Europe	3,216	140	3,356
Americas	625	180	805
Rest of the World	932	694	1,626
Total	6,420	1,055	7,475

At 31 January 2017, the geographical distribution of stores was as follows:

	Number of stores		
	Company managed	Franchises	Total
Spain	1,748	39	1,787
Rest of Europe	3,073	155	3,228
Americas	578	165	743
Rest of the World	915	619	1,534
Total	6,314	978	7,292

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 24.

2) Selected accounting policies

2.1) Basis of consolidation

i) *Subsidiaries*

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Appendix I.

For business combinations subsequent to the IFRS-EU transition date, any excess of the consideration transferred plus the value assigned to non-controlling interests over the net amounts of the assets acquired and the liabilities assumed is recognized as goodwill.

Any deficiency of the amount of the consideration transferred plus the value assigned to non-controlling interests below the identifiable net assets acquired is recognized in profit or loss.

Acquisitions of equity interests in businesses subsequent to obtaining control and partial disposals that do not result in a loss of control are recognized as transactions with shareholders in equity.

The non-controlling interests shown in the consolidated statement of changes in equity relate to non-controlling interests in subsidiaries, and they are presented in consolidated equity separately from the equity attributable to shareholders of the Parent.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognized as a separate transaction.

The share of non-controlling interests of the equity and profit or loss of the subsidiaries is presented under “Equity Attributable to Non-Controlling Interests” and “Net Profit Attributable to Non-Controlling Interests”, respectively.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangement. As indicated in Note 1, on the basis of the analysis performed of the contractual arrangements, the Group classified these interests as joint ventures. Pursuant to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated annual accounts.

iii) Harmonization of criteria

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding accounting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Inditex Group in preparing its consolidated annual accounts, they are adjusted in order to present the consolidated annual accounts using uniform accounting policies.

iv) Intra-Group eliminations

All intra-Group receivables, payables and transactions, and any intra-Group gains or losses not yet realised vis-à-vis third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies

The annual accounts of companies with a functional currency other than the euro have been translated as follows:

- Assets and liabilities are translated to euros at the exchange rates prevailing at the balance sheet date.
- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).
- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognized, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

The differences arising from the application of these exchange rates are included in consolidated equity under “Translation Differences”.

However, exchange differences arising from trade balances payable and receivable and financing transactions between Group companies, with foreseeable settlement, are recognized in profit or loss for the year.

vi) Annual accounts in hyperinflationary economies

The annual accounts of companies based in countries meeting the requirements for classification as hyperinflationary economies were adjusted prior to translation to euros to account for the effect of changes in prices. There are currently no companies in the Group's consolidation scope that operate in countries considered to be hyperinflationary economies.

vii) Companies with a reporting date that differs from that of the Group

Companies with a reporting date that differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting dates (see Appendix I). Temporary adjustments are made to reflect the effect of significant transactions occurring between the reporting date of these subsidiaries and that of the consolidated annual accounts.

viii) Changes in the scope of consolidation

Appendix I lists all the companies included in the scope of consolidation. The detail of the main changes in the scope of consolidation in 2017 is as follows:

Companies incorporated:

Limited Liability Company "OYSHO BLR"
Limited Liability Company "STRADIVARIUS BLR"
Limited Liability Company "ZARA HOME BLR"
Limited Liability Company "PULL AND BEAR BLR"
Limited Liability Company"BK GARMENTS BLR"
Limited Liability Company "MASSIMO DUTTI BLR"
Limited Liability Company "ZARA BLR"
Uterqüe Fashion RO S.R.L.
Lelystad Platform, B.V.
Oysho Suisse SÀRL
Zara Home Ceska Republica, SRO
Oysho Ceska Republica, SRO

Companies acquired
Zara S, TRGOVSKO PODJETJE D.O.O.
Bershka S, TRGOVSKO PODJETJE D.O.O.
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.
Stradivarius S, TRGOVSKO PODJETJE D.O.O.

The inclusions in the consolidated Group referred to above did not have a material impact on equity in the consolidated annual accounts for 2017.

2.2) Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2017

In 2017 the following standards and/or interpretations became effective for application in the European Union in reporting periods beginning on or after 1 January 2017:

- Amendments to IAS 7, Statement of Cash Flows, which introduces additional requirements in relation to financing activities in the statement of cash flows.
- Amendments to IAS 12, Income Taxes clarifies the principles for the recognition of deferred tax assets for unrealised losses.

The adoption of these amendments did not have an impact on the Group's consolidated annual accounts for 2017.

Also, in 2017 the following standards became effective for their use in reporting periods beginning on or after 1 January 2017, although they have not yet been approved for use in the European Union:

- Improvements to IFRSs, 2014-2016 cycle, clarifications in relation to the scope of IFRS-12, Disclosure of Interests in Other Entities and its interaction with IFRS-5, Non-current Assets Held for Sale and Discontinued Operations.

However, these amendments are not expected to have a significant impact on the Group's consolidated annual accounts when they are approved for use in the European Union.

Standards issued and approved for use in the European Union

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is the comprehensive standard on the recognition of revenue from contracts with customers, which will supersede the following standards and interpretations: IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue-Barter Transactions Involving Advertising Services. This standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The new requirements could give rise to changes in the Group's current revenue profile, since the revenue must be recognized in such a way as to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the standard establishes a revenue recognition approach based on five steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group's revenue arises substantially in full from retail sales through stores and online and sales to franchises (see Note 3). Group management considered that the aforementioned activities represent mainly the performance obligation to transfer certain goods to customers, revenue from which is recognized at the point in time at which control over the aforementioned products is transferred, which does not differ significantly from the current identification of independent price components performed pursuant to IAS 18. Also, the allocation of the transaction price to the various performance obligations in each contract, or the timing of recognition of the revenue in the statement of profit or loss as a result of applying IFRS 15 does not differ from those provided for in the current standard IAS 18, although IFRS 15 will require that more extensive disclosures be provided in relation to the Group's revenue-producing transactions.

Therefore, if the Group applied IFRS 15 in preparing the consolidated annual accounts for 2017 it would not have had a significant effect on them.

The Group intends to apply IFRS 15 retrospectively, without restating the comparative information, from 1 February 2018 onwards.

IFRS 9, Financial Instruments

IFRS 9 will supersede the current IAS 39 from 1 January 2018, with respect to which there are very significant differences in relation to the classification and measurement of financial instruments, the financial asset impairment model and hedge accounting.

- Debt instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest are, in general, measured at their amortised cost. When these debt instruments are held in a business model whose objective is achieved by both collecting contractual cash flows (payments of principal and interest) and selling financial assets, they are measured at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss. However, entities may make an election to present in the statement of comprehensive income subsequent changes in the fair value of certain investments in equity instruments and, in general, in this case only dividends will be recognized in profit or loss.

- Financial liabilities designated optionally as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in "Other Comprehensive Income", unless this would create or enlarge an accounting mismatch in profit or loss, and shall not be reclassified subsequently to profit or loss.

- Changes in the contractual cash flows of a financial liability not leading to the derecognition of the financial liability must be recognized as a change in estimate of the contractual cash flows of the liability, maintaining the original effective interest rate and adjusting its carrying amount, with the related modification gain or loss being recognized in profit or loss.

- In relation to impairment losses on financial assets, IFRS 9 introduces a model based on the expected credit loss, as opposed to the model in IAS 39 which is based on incurred credit losses. Under this model the expected credit loss will be recognized, together with any changes in those expected credit losses at each reporting date.

- IFRS 9 provides a greater degree of flexibility in terms of the types of transactions that qualify for hedge accounting, specifically by broadening the types of instruments that fulfil the criteria to be designated as hedging instruments and the types of risk components of non-financial items that qualify for hedge accounting. Also, the effectiveness test has been replaced with the "economic relationship" principle. Retrospective assessment of hedge effectiveness is no longer necessary.

The standard must be applied in annual reporting periods beginning on or after 1 January 2018, except for the requirements related to hedge accounting, application of which is optional. Group management intends to apply IFRS 9 in full from 1 February 2018 onwards without restating comparative period information.

Management performed a preliminary analysis of the impact of IFRS 9 on the consolidated annual accounts based on the Group's financial assets and liabilities at 31 January 2018:

- Classification and measurement of financial instruments: As regards the financial assets, the Group's investment policy (see Note 19) states that the general objective of the Group's business model in relation to financial assets is to safeguard the principal by mitigating the risk of loss of invested capital arising from risks of any kind. Therefore, the objective of the Group's business model is to collect the contractual cash flows of the financial assets that are exclusively principal and interest. Accordingly, the Group's financial assets within the scope of IFRS 9 will be classified as financial assets measured at amortised cost, except for deposits, which will be measured at their fair value.

  Consequently, the classification and measurement of financial assets under IFRS 9 does not differ significantly from the current classification and measurement of financial assets under IAS 39 and, therefore, the application of IFRS 9 will not have a significant impact on the classification and measurement of financial assets.

  Financial liabilities will continue to be measured on the same basis as under the current IAS 39 and, therefore, IFRS 9 will not have a significant impact on the classification and measurement of financial liabilities.

  The Group has not renegotiated its financial liabilities and, therefore, this part of IFRS 9 will not have any impact on the consolidated annual accounts.

- Impairment: For financial assets within the scope of this expected credit loss model, Group management considers that the credit risk related to its fixed-income securities classified as held-for sale financial assets is low, or that it has not increased significantly since the date of initial recognition and, accordingly, the 12-month expected credit losses will be recognized. The Group has defined its own methodology for determining counterparty credit risk in order to determine the expected credit loss for financial assets.

Despite applying this methodology, the amount of impairment arising from estimated credit losses does not differ significantly from the amount of impairment arising from incurred credit losses provided for in IAS 39 used as the basis for preparing these consolidated annual accounts.

- Hedge accounting: Based on the accounting hedges defined at 31 January 2018, the analysis conducted by Group management regarding the application of IFRS 9 in relation to hedge accounting shows that the hedging relationships defined (see Note 2.2-o) continue to meet the requirements for being treated as such. No hedging relationships have been defined that had not been defined as such under IAS 39. The Group intends to apply the new hedging rules contained in IFRS 9 from 1 February 2018 onwards.

IFRS 16, Leases

IFRS 16 will become effective in 2019 and will supersede IAS 17 and the current associated interpretations. The main new feature of IFRS 16 is that it introduces a single lessee accounting model in which all leases (with certain very limited exceptions due to the low value of the leased asset or in the case of short-term leases) will be recognized in the balance sheet with an impact similar to that of the existing finance leases (recognition of depreciation of the right-of-use asset and interest on the amortised cost of the lease liability will be recognized in the statement of financial position).

Management is assessing the total effect that application of IFRS 16 will have on the Group's consolidated annual accounts. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments under these leases; however, certain information is disclosed, such as operating lease obligations, in Note 24 to the consolidated annual accounts. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and, therefore, the Group will recognise a right-of-use asset and the related liability unless they qualify as low-value or short-term leases.

Since most of the Group's stores (see Note 1) are located in commercial premises leased under operating leases (see Note 24), the application of IFRS 16 will have a material impact on the Group’s consolidated annual accounts. At the date of preparation of these consolidated annual accounts the Group was quantifying the potential impact of applying IFRS 16 and, therefore, it is not possible to provide a reasonable estimate of the financial effect until that process has been completed

The Group does not intend to anticipate this standard and, at the date of these consolidated annual accounts, no decision had yet been made as to the option that will be applied at the date of transition.

Other standards and amendments approved for use in the European Union

- Amendments to IFRS 4, Insurance Contracts: provide entities within the scope of IFRS 4 with the option of applying IFRS 9 or the temporary exemption therefrom. Mandatorily applicable for annual periods beginning on or after 1 January 2018. No impact as the Group is not within the scope of this standard.
- Annual Improvements to IFRSs 2014–2016 Cycle, establishing clarifications to IFRS 12, Disclosure of Interests in Other Entities.

Standards issued but not yet approved for use in the European Union

At the date of preparation of these consolidated annual accounts the following standards and/or amendments to standards with a potential impact on the Group had been issued by the IASB but had not yet been approved for use in the European Union:

- IFRS-17, Insurance Contracts supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that insurance contracts have on the annual accounts. Effective for annual periods beginning on or after 1 January 2021.

- IFRIC 22, Foreign Currency Transactions and Advance Consideration. This interpretation establishes the date of the transaction for the purpose of determining the exchange rate to use in transactions with advance consideration in a foreign currency. Effective for annual periods beginning on or after 1 January 2018.

- IFRIC 23, Uncertainty over Income Tax Treatments. This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity. Effective for annual periods beginning on or after 1 January 2019.

- Amendments to IFRS 2 relating to certain specific parts of the standard. Effective for annual periods beginning on or after 1 January 2018.
- Amendments to IAS 40 clarifying the circumstances for the transfer of a property to, or from, investment property. Effective for annual periods beginning on or after 1 January 2018.

- Amendments to IFRS 9, Financial Instruments, Prepayment Features with Negative Compensation. Effective for annual periods beginning on or after 1 January 2019.

- Amendments to IAS 28, Investments in Associates and Joint Ventures, which clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied. Effective for annual periods beginning on or after 1 January 2019.

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture regarding clarification in relation to the gain or loss resulting from such transactions involving a business or assets. No set date for mandatory application.

- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement Under the proposed amendments, when there is a change in a defined benefit plan (due to an amendment, curtailment or settlement), an entity is required to use updated assumptions in order to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan. Effective for annual periods beginning on or after 1 January 2019.

The Group is analysing the impact these new standards and amendments may have, although they are not expected to have a significant impact on the consolidated annual accounts when they become mandatorily applicable in the European Union.

a) Translation of foreign currency balances and transactions

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to euros at the end of the reporting period using the closing rate. Exchange differences arising on translating these items at those exchange rates are recognized in the income statement for the year as financial result.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates at the date of the cash flow. The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under “Effect of Exchange Rate Changes on Cash and Cash Equivalents”.

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the assets are ready for their intended use, less accumulated depreciation and any impairment losses or write-downs that have to be recognized (see Note 2.2-g).

Depreciation is taken on a straight-line basis over the estimated useful lives of the assets.

The estimated average useful lives are as follows:

Asset description	Useful life
Buildings	25 to 50 years
Fixtures, furniture and machinery (*)	8 to 15 years
Other property, plant and equipment	4 to 13 years

(*) In the case of assets located in leased premises, the depreciation rate is adapted to the estimated term of the lease if this is shorter than the useful lives of the assets.

The Group reviews the residual values and useful lives of its property, plant and equipment at each financial year-end. Any change in the initially established estimates is accounted for as a change in an accounting estimate.

After initial recognition of an asset, only those costs that it is probable will give rise to future economic benefits and that can be measured reliably are capitalized.

Periodic maintenance, upkeep and repair expenses are recognized in profit or loss as they are incurred.

c) Rights over leased assets

These rights, known as leasehold assignment rights, access premiums or tenancy right waivers, relate to the amounts paid for lease rights over premises for access to commercial premises, in which the acquirer and the new lessee are subrogated to the rights and obligations of the transferor and former lessee under the previous lease.

Since these rights arose as a result of an acquisition for consideration, they were recognized as assets in the accompanying consolidated balance sheet.

These assets are recognized initially at acquisition cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment losses. They are amortised on a straight-line basis over the term of the lease, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

In order to assess the possible existence of impairment of these assets, the Group uses the procedures described in Note 2.2-g, Impairment of non-current assets.

d) Other intangible assets

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.

- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.

- Industrial designs: these items are reflected at their production cost, which includes the cost of samples, staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews the residual values and useful lives of its intangible assets at each reporting date. Any change in the initially established estimates would be accounted for as a change in an accounting estimate.

e) Financial investments

Investments in companies over which the Group does not exercise significant influence are stated at cost net of any impairment losses that have to be recognized.

f) Investment property

Investment property consists of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment losses that have to be recognized. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets (see Note 2.2-g).

g) Impairment of non-current assets

The Group periodically assesses whether there are any indications that its non-current assets, including goodwill and intangible assets with indefinite useful live, might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year or more frequently if there are indications of impairment.

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill and intangible assets with an indefinite useful life

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country). The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

For those cash-generating units (CGUs) that are scheduled to be closed, an impairment loss is recognized using the same methodology.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at retail concept-country level, or even at the level of all the companies located in a given country or all the companies corresponding to a given concept (concept level). Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature. In this case, the aforementioned indicator of impairment is applied at a higher aggregation level (retail concept-country, country or concept) and if it is necessary to calculate the impairment, all the cash flows generated at that aggregation level must be capable of ensuring the recovery of all the assets associated therewith.

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for ten-year bonds issued by the governments in the relevant markets (or similar instruments, if no ten-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

The average discount rate, resulting from those applied by the Group in the various markets, used for the purpose of calculating the present value of the estimated cash flows was as follows:

	2017 Average	2016 Average
Spain	5.45%	5.39%
Rest of Europe	6.23%	6.58%
Americas	8.49%	9.20%
Asia and rest of the world	6.98%	6.66%

The results obtained from the 2017 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Notes 13 and 14 to the consolidated annual accounts relating to property, plant and equipment and rights over leased assets and other intangible assets.

The related charge for the period amounting to EUR 125 million (see Notes 7, 13 and 14) is due primarily to the impairment corresponding to the closures scheduled for 2018.

Impairment losses reversed in the period amounting to EUR 12 million (see Notes 7, 13 and 14) correspond to those CGUs for which impairment had been recognized in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognized in prior years are fully or partially reversed.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to EUR 2 million and EUR 2 million, respectively (EUR 2 million and EUR 1 million, respectively, in 2016).

Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash-generating units aggregated at concept-country level, for the purpose of performing the related impairment tests. This aggregation is made on the basis of:

- The degree of independence of the cash flows in each case.
- How the Group monitors the economic performance of its operations, and the model with which its operations are conducted.
- The degree to which the CGUs are subject to the same macroeconomic circumstances.
- The level with which the goodwill would be naturally associated on the basis of the business model.

In any case, this aggregation is never larger than an operating segment, as defined in IFRS 8.

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2017 and 2016 did not give rise to the recognition of any impairment loss on goodwill.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- Use of a perpetuity growth rate of 0%.
- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to EUR 7 million, EUR 4 million and EUR 0 million, respectively (no additional impairment in 2016).

Impairment of intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are assigned to each of the commercial premises where the Group carries on its business activity (stores) and are included in the calculation of the impairment of non-current assets, as explained above.

Reversals of impairment losses

Reversals of impairment losses on non-current assets are recognized with a credit to “Depreciation and Amortization Charge” in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortization, had the impairment loss never been recognized, solely in those cases in which, once the internal and external factors have been assessed, it can be concluded that the indications of impairment that led to the recognition of the impairment losses have ceased to exist or have been partially reduced.

The reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets and taking into account the limit for the reversal referred to in the preceding paragraph.

An impairment loss recognized for goodwill must not be reversed in a subsequent period.

h) Trade and other receivables

Trade receivables are initially recognized at fair value. After initial recognition, they are stated at amortised cost using the effective interest method, less any impairment losses recognized.

Impairment losses are recognized on trade receivables when there is objective evidence that the Group will not be able to collect the entire amount owed by the debtor under the original terms governing the accounts receivable. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original interest rate. The amount of the impairment loss is recognized in the consolidated income statement.

i) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

The costs of conversion comprise the costs directly related to the units of production and a systematically calculated portion of indirect, variable and fixed costs incurred during the conversion process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

The cost of inventories is adjusted through “Cost of Sales” in the consolidated income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.
- Finished goods for sale: estimated selling price in the normal course of business.
- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, on initial investment. Investments which mature in less than three months from the acquisition date are also included.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognized in the consolidated balance sheet as financial liabilities relating to bank borrowings.

k) Current financial investments

Current financial assets include bank deposits and investments in investment funds that are not available at short term or that mature at between three and twelve months from acquisition and which do not meet the requirements to be considered as cash equivalents.

The Group classifies cash flows relating to the amounts invested and received as cash flows from investing activities.

l) Employee benefits

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2018.

The staff costs incurred in the year are determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The staff costs incurred in relation to the beneficiaries of the plans referred to in Note 26 to the consolidated annual accounts are recognized with a credit to liability and equity accounts in the period in which the costs are incurred.

m) Provisions and contingent liabilities

Provisions are recognized in the balance sheet when:

- the Group has a present obligation (legal or constructive) as result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the annual accounts and are reviewed at the end of each reporting period.

If it is no longer probable that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognized.

There are no risks that might give rise to significant future contingencies affecting the Group that have not already been taken into account in these consolidated annual accounts.

On the other hand, contingent liabilities are possible obligations that arise as a result of past events, whose future materialization is conditioned by whether or not one or more future events beyond the control of the Group occur. Unlike provisions, contingent liabilities are not recognized in the consolidated balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

The Group guarantees the debts of certain companies in the Netherlands, pursuant to the provisions of Article 403.1, Book 2, Part 9 of the Civil Code of the Netherlands.

n) Financial liabilities

Financial liabilities, including trade and other payables, are initially recognized at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Group's financial liabilities are measured at amortised cost using the effective interest method.

o) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognized at fair value.

Foreign currency hedges relating to forecast transactions are treated as cash flow hedges, and therefore any gains or losses derived from measuring the hedging instrument at fair value which correspond to the effective portion of the hedge are recognized in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognized in equity are taken to income when the forecast transaction takes place with a charge or credit to the statement of profit or loss account in which it was recognized. Also, gains or losses recognized in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognized, depending on whether it is positive or negative, under "Other Financial Assets" or "Other Financial Liabilities" in the accompanying consolidated balance sheet.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge, using "effectiveness tests", that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item. Also, the ineffective portion of the hedging instrument is recognized immediately in the consolidated income statement.

The fair value of the hedging instruments was calculated using valuation techniques based on the spot exchange rate and yield curves, which are Level 1 and 2 inputs according to the fair value hierarchy shown below:

Level 1

Fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

The Group does not have any assets or liabilities assigned to this hierarchical level.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 2 instruments

The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Group does not have financial instruments included in the Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Group is calculated as follows:

Foreign currency forwards

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk free zero coupon yield curve (or the interbank yield curve). This risk free valuation is subsequently adjusted to include each party's credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

<u>Cross-currency swaps</u>

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.

- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).

- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.

- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

<u>Zero-premium option combinations</u>

Fair value measurement:

Valuation of zero-premium options is based on a stochastic local volatility ("SLV") model using a Monte Carlo simulation. The valuation depends on the implied volatility of the standard option contracts as well as the dynamics of the implied volatilities. Fair value is a function of the stochastic process that describes the behaviour of the underlying's volatility parameter and of the weighted local volatility component determined by the implied volatility surface.

Options purchased

Fair value measurement:

The determination of the fair value of the (plain vanilla) options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the underlying's price, the exercise price, the time to expiration and the volatility of the underlying. The credit risk adjustment is performed using the spread method.

p) Revenue recognition

Sales of goods are recognized when substantially all the risks and rewards of ownership of the goods are transferred, and they are presented net of actual and projected sales returns. At year-end the effect of the provision for expected sales returns on the accompanying consolidated income statement is not material.

Sales of goods to franchisees are recognized when the aforementioned conditions are met and when revenue can be reliably determined and collection is considered probable.

Rental income is recognized on a straight-line basis over the term of the lease.

Revenue from royalties is recognized using the accrual principle based on the substance of the contracts, provided that collection of the revenue is considered probable and its amount can be reliably estimated.

q) Leases

Leases are classified as finance leases when they transfer substantially all the risks and rewards inherent to ownership of the leased asset. All other leases are classified as operating leases.

Assets acquired through a finance lease are recognized as non-current assets at the lower of the present value of the future lease payments and the fair value of the leased asset, while the corresponding debt with the lessor is recognized as a liability. Lease payments are apportioned between the reduction of the outstanding liability and the finance charge, which is recorded as a finance cost for the year.

In the case of operating leases, non-contingent or fixed rent payments are recognized as an expense on a straight-line basis over the term of the lease. Contingent rent is recognized as an expense in the period in which payment is probable, as are fixed rent increases linked to the consumer price index.

Incentives received from shopping centre developers or owners of commercial premises (mainly contributions to construction work and grace periods) are recognized as non-current liabilities under " Other Non-Current Liabilities – Lease Incentives" and, in respect of the portion expected to be taken to income in the following year, as current liabilities under “Trade and Other Payables”. They are credited to profit or loss, as a reduction of the rental expense under “Operating Expenses”, on a straight-line basis over the term of the respective lease contracts.

r) Finance income and costs

Interest income and interest expenses are recognized on an accrual basis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

s) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognized as income or as an expense and included in net profit or loss for the period, except to the extent that the tax arises from a transaction which is charged or credited, in the same or a different period, directly to equity, or from a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates in force at the balance sheet date, in respect of the current period, and any adjustment to tax payable or recoverable in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are the amounts of income taxes payable in the future in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in the future due to the existence of deductible temporary differences, tax loss carryforwards or tax credit carryforwards.

The Group recognizes deferred tax assets and liabilities for temporary differences, except where they relate to the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affected neither gross accounting profit nor taxable profit (tax loss), or in the case of deferred tax liabilities, where the temporary differences relate to the initial recognition of goodwill. Deferred tax liabilities are also recognized for temporary differences associated with investments in subsidiaries, except to the extent that the Parent is able to control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that are in force at the balance sheet date, and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the corresponding unused tax losses or tax credits can be utilised. Deferred tax assets, whether recognized or not, are reviewed at each balance sheet date.

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognized in the consolidated balance sheet under non-current assets and liabilities, irrespective of the expected date of realisation or settlement.

t) Current and non-current assets and liabilities

The Group classifies assets and liabilities as current and non-current items in the consolidated balance sheet. Assets and liabilities are classified as current when they are expected to be realized or settled within twelve months of the balance sheet date, and are otherwise classified as non-current.

Assets and liabilities are not offset, unless required or permitted by a standard or interpretation.

u) Treasury shares

Treasury shares acquired by the Group are presented separately at cost as a reduction of equity in the consolidated balance sheet, and no gains or losses are recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction of equity, after consideration of any tax effect.

3) Net Sales

Sales in the consolidated income statement include amounts received from the sale of goods and income from rentals, royalties and other services rendered in the ordinary course of the Group's business, net of VAT and other sales taxes.

The detail of this line item in 2017 and 2016 is as follows:

	2017	2016
Net sales in company-managed stores and online	23,128	21,244
Net sales to franchises	1,990	1,839
Other sales and services rendered	218	228
Total	25,336	23,311

4) Cost of sales

The detail of this line item in 2017 and 2016 is as follows:

	2017	2016
Raw materials and consumables	11,212	10,386
Change in inventories	(219)	(406)
Change in provisions	83	52
Total	11,076	10,032

Raw materials and consumables include mainly amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see Note 2.2-i).

5) Operating expenses

The detail of "Operating expenses" and of the changes therein is as follows:

	2017	2016
Personnel expenses	3,961	3,643
Operating leases (Note 24)	2,358	2,221
Other operating expenses	2,625	2,312
Total	8,944	8,176

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2018 is as follows:

	Gender		
Categories	W	M	Total
Manufacturing and logistics	4,645	5,908	10,553
Central services	7,315	4,427	11,743
Stores	117,395	32,148	149,543
Total	**129,355**	**42,483**	**171,839**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2017 is as follows:

	Gender		
Categories	W	M	Total
Manufacturing and logistics	4,230	5,392	9,621
Central services	7,056	4,342	11,397
Stores	111,639	29,793	141,432
Total	**122,924**	**39,526**	**162,450**

Lease expenses relate mainly to the rental, through operating leases, of the commercial premises in which the Group carries on its business activities. This line item also includes lease incentives, which are recognized in profit or loss. Note 24 provides more detailed information on the main terms of these leases, together with the related future minimum payment obligations.

The detail of "Other Operating Expenses" is as follows:

Other operating expenses	2017	2016
Indirect Selling Expenses	1,266	1,061
Administrative Expenses	492	432
Maintenance, Repairs and Utilities	443	418
Other	423	402
Total	2,625	2,312

"Indirect Selling Expenses" includes mainly expenses relating to store operations, commissions on credit, debit card payments and logistics. "Administrative Expenses" includes all kinds of professional services, "Maintenance, Repairs and Utilities" includes maintenance and utilities expenses and "Other" includes mainly travel, communications and other operating expenses.

6) Other losses and income, net

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognized as a liability and changes are recognized in profit or loss.

Following there is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Group holds a call option on 5% of the share capital of Bershka México, S.A. de C.V. owned by a non-controlling shareholder. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Group holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Propietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

d) Subsidiary domiciled in Australia

The Group holds a call option on 10% of the share capital of Group Zara Australia, PTY. LTD. The ownership interest is held by International Brand Management, PTY. LTD., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercized.

7) Amortization and depreciation

The detail of "Amortization and depreciation Charge" is as follows:

	2017	2016
Amortization and depreciation charge (Notes 13 and 14)	1,108	968
Variation in impairment losses (Notes 13 and 14)	114	36
Profit/(loss) on assets (Notes 13 and 14)	(257)	70
Other	(2)	(12)
Total	963	1,063

8) Financial results

The detail of "Financial Results" in the consolidated income statement for 2017 and 2016 is as follows:

	2017	2016
Finance income	26	21
Foreign exchange gains	29	17
Total income	55	38
Finance costs	(10)	(8)
Foreign exchange losses	(49)	(21)
Total expenses	(59)	(28)
Total	(5)	10

Finance income and costs comprise mainly the interest accrued on the Group's financial assets and liabilities during the year (see Note 19). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

9) Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 22), which totalled 3,113,218,213 in 2017 and 3,113,647,003 in 2016.

Diluted earnings per share are calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average number of ordinary shares outstanding, after adjustment for the dilutive effects of potential ordinary shares.

At the end of 2017 there were no instruments with dilutive effects on earnings per share.

10) Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and operating profit by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

The Inditex Group segment information is as follows:

FY 2017					
	ZARA	*Bershka*	*Other*	*Inter-segment*	Total
Sales to third parties	16,721	2,228	6,491	(104)	25,336
Segment EBIT	3,027	354	948	(14)	4,314
Amortization and depreciation	450	110	389	15	963
Segment total assets	15,420	993	3,818		20,231
ROCE	30%	57%	38%		33%
Number of stores	2,251	1,098	4,126		7,475

FY 2016					
	ZARA	*Bershka*	*Other*	*Inter-segment*	Total
Sales to third parties	15,483	2,013	5,908	(94)	23,311
Segment EBIT	2,764	333	923	1	4,021
Amortization and depreciation	659	88	316	(1)	1,063
Segment total assets	15,074	938	3,610		19,621
ROCE	30%	58%	40%		33%
Number of stores	2,213	1,081	3,998		7,292

For presentation purposes, the commercial concepts other than Zara and Bershka were grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purpose of reconciliation with the consolidated annual accounts, sales to third parties relate to "Net Sales" in the consolidated income statement and the depreciation and amortization charge corresponds to "Amortization and depreciation" in the consolidated income statement.

The segment's profit from operations refers to its Operating Result (EBIT), as defined in the initial note to these consolidated annual accounts. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group management. Transactions between the various segments are carried out on an arm's length basis.

Total segment assets relate to "Total Assets" in the consolidated balance sheet.

The ROCE is calculated as defined in the initial Note to these consolidated annual accounts.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets neither financial instruments.

	Net Sales		Non-current assets	
	2017	2016	31/01/2018	31/01/2017
Spain	4,424	4,251	3,056	2,806
Rest of Europe	11,954	10,796	3,458	3,188
Americas	3,877	3,484	1,421	1,495
Asia and rest of the world	5,081	4,779	884	958
Total	25,336	23,311	8,820	8,447

11) Trade and other receivables

The detail of this line item at 31 January 2018 and 2017 is as follows:

	31/01/2018	31/01/2017
Trade receivables	202	232
Receivables due to sales to franchises	231	233
Public entities	198	278
Other current receivables	147	118
Total	778	861

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 24) and outstanding balances from sundry operations.

12) Inventories

The detail of this line item at 31 January 2018 and 2017 is as follows:

	31/01/2018	31/01/2017
Raw materials and consumables	101	96
Goods in process	28	33
Finished goods for sale	2,556	2,420
Total	**2,685**	**2,549**

The Group takes out insurance policies to cover the possible risks of material damage to its inventories.

13) Property, plant and equipment

The detail of the items composing “Property, Plant and Equipment” in the accompanying consolidated balance sheet and of the changes therein is as follows:

	Land and buildings	Fixtures, furniture and machinery	Other property, plant and equipment	Work in progress	Total
Cost					
Balance at 01/02/2016	1,873	8,864	479	510	11,726
Acquisitions	7	1,215	106	211	1,539
Disposals	(4)	(443)	(53)	(0)	(500)
Transfers	274	65	58	(399)	(1)
Foreign exchange translation differences	10	92	8	(1)	109
Balance at 31/01/2017	**2,161**	**9,792**	**599**	**321**	**12,872**
Balance at 01/02/2017	2,161	9,792	599	321	12,872
Acquisitions	45	1,390	109	279	1,822
Disposals (Note 7)	(62)	(593)	(26)	(0)	(681)
Transfers	16	174	13	(204)	(0)
Foreign exchange translation differences	(80)	(337)	(18)	(9)	(444)
Balance at 31/01/2018	**2,080**	**10,425**	**677**	**387**	**13,568**
Depreciation					
Balance at 01/02/2016	305	4,522	229	-	5,055
Depreciation charge for the year	39	720	73	-	832
Disposals	(1)	(381)	(27)	-	(409)
Transfers	0	(1)	(0)	-	(1)
Foreign exchange translation differences	1	20	3	-	24
Balance at 31/01/2017	**343**	**4,880**	**278**	**-**	**5,501**
Balance at 01/02/2017	343	4,880	278	-	5,501
Depreciation charge for the year (Note 7)	36	844	86	-	966
Disposals (Note 7)	(19)	(490)	(21)	-	(530)
Transfers	1	(1)	(0)	-	(0)
Foreign exchange translation differences	(7)	(131)	(10)	-	(148)
Balance at 31/01/2018	**354**	**5,101**	**334**	**-**	**5,789**
Impairment losses (note 2.2-g)					
Balance at 01/02/2016	2	71	1	-	74
Charge for the year	0	47	2	0	49
Amounts charged to profit or loss	(0)	(15)	(0)	0	(16)
Disposals	(0)	(15)	(0)	0	(15)
Transfers	0	(5)	(0)	0	(5)
Foreign exchange translation differences	0	1	(0)	0	1
Balance at 31/01/2017	**2**	**84**	**2**	**-**	**88**
Balance at 01/02/2017	2	84	2	-	88
Charge for the year (Note 7)	0	104	6	0	110
Amounts charged to profit or loss (Note 7)	0	(10)	(0)	0	(11)
Disposals (Note 7)	0	(41)	(1)	0	(42)
Transfers	(1)	(5)	(0)	0	(6)
Foreign exchange translation differences	0	(3)	(0)	0	(3)
Balance at 31/01/2018	**1**	**129**	**6**	**0**	**136**
Carrying amount					
Balance at 31/01/2017	1,816	4,828	318	321	7,283
Balance at 31/01/2018	1,725	5,196	336	387	7,644

“Fixtures, Furniture and Machinery” includes mainly assets related to stores.

“Other Items of Property, Plant and Equipment” includes, inter alia, information technology equipment and motor vehicles.

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities.

In 2017, 15 properties were sold for a net amount of EUR 356 million. The gain on this transaction is included in the “Profit/ (loss) on assets” line item, as are the losses incurred on closures or refurbishments carried out in 2017 (see Note 7, Amortization and depreciation).

The cash flow associated with the sale is presented under “Collections Relating to Divestments of Property, Plant and equipment” in the consolidated statement of cash flows.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 2,117 million and EUR 1,949 million at 31 January 2018 and 31 January 2017, respectively.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2-g).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

14) Rights over leased assets and other intangible assets

"Rights over Leased Assets" include amounts paid in respect of leasehold assignment, access premiums or tenancy right waivers and indemnities in order to lease commercial premises.

The payments for these rights are attributable to the leased assets and the related cost is allocated to profit or loss in accordance with the terms and conditions of the leases over the lease term.

At 31 January 2018, "Rights over leased assets" included items with an indefinite useful life amounting to EUR 132 million (EUR 134 million at 31 January 2017). The useful life of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group does not have other any intangible assets with an indefinite useful life.

"Other Intangible Assets" includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2-g).

The detail of "Other Intangible Assets" in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2016	1,008	28	121	174	1,331
Acquisitions	51	2	48	77	178
Disposals	(33)	(0)	(0)	(78)	(111)
Transfers	(1)	0	6	(6)	(1)
Foreign exchange translation differences	(2)	0	0	0	(1)
Balance at 31/01/2017	**1,024**	**30**	**175**	**167**	**1,396**
Balance at 01/02/2017	1,024	30	175	167	1,396
Acquisitions	25	3	67	84	179
Disposals (Note 7)	(51)	0	(1)	(68)	(120)
Transfers	(0)	0	(0)	0	(0)
Foreign exchange translation differences	(17)	(0)	(0)	(0)	(18)
Balance at 31/01/2018	**981**	**33**	**240**	**183**	**1,437**
Amortization					
Balance at 01/02/2016	495	17	47	68	627
Amortization charge for the year	41	3	24	68	136
Disposals	(25)	(0)	(0)	(66)	(92)
Transfers	(0)	0	0	0	(0)
Foreign exchange translation differences	(2)	0	0	0	(2)
Balance at 31/01/2017	**508**	**20**	**71**	**70**	**669**
Balance at 01/02/2017	508	20	71	70	669
Amortization charge for the year (Note 7)	38	2	26	76	142
Disposals (Note 7)	(38)	0	(1)	(64)	(103)
Transfers	0	(0)	0	0	0
Foreign exchange translation differences	(6)	(0)	(0)	(0)	(6)
Balance at 31/01/2018	**502**	**22**	**96**	**82**	**703**
Impairment losses (note 2.2-g)					
Balance at 01/02/2016	9	-	-	-	9
Impairment charge for the year	5	-	-	0	5
Amounts charge to profit or loss	(2)	-	(0)	(0)	(2)
Disposals	(1)	-	(0)	(0)	(1)
Transfers	(0)	-	(0)	0	(0)
Foreign exchange translation differences	0	-	(0)	0	0
Balance at 31/01/2017	**12**	**-**	**0**	**0**	**12**
Balance at 01/02/2017	12	0	0	0	12
Impairment charge for the year (Note 7)	15	0	0	0	15
Amounts charge to profit or loss (Note 7)	(1)	0	(0)	(0)	(1)
Disposals (Note 7)	(2)	0	(0)	(0)	(2)
Transfers	(1)	0	(0)	0	(1)
Foreign exchange translation differences	(0)	0	(0)	0	(0)
Balance at 31/01/2018	**22**	**-**	**0**	**0**	**23**
Carrying amount					
Balance at 31/01/2017	505	10	103	97	716
Balance at 31/01/2018	457	11	144	101	712

The Group capitalized EUR 67 million in 2017 (EUR 48 million in 2016) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 84 million (EUR 77 million in 2016) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

15) Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	2017	2016
Opening balance	196	193
Acquisitions	11	-
Foreign exchange translation differences	-	2
Closing balance	**207**	**196**

Investee	2017	2016
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	35	34
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	10	10
Zao Zara CIS	10	10
Resto	28	17
Closing balance	207	196

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 2.2-g).

Also, sensitivity analyses were performed based on reasonably possible changes in the main variables used in asset measurement, and the recoverable amount is higher than the related carrying amount (see Note 2.2-g).

16) Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2016	7	175	2	184
Acquisitions	14	48	-	62
Disposals	(1)	(27)	-	(29)
Transfers	12	-	-	12
Foreign exchange translation differences	(1)	3	-	2
Balance at 31/01/2017	**31**	**198**	**2**	**231**
Balance at 01/02/2017	31	198	2	231
Acquisitions	24	42	-	67
Disposals	(22)	(21)	-	(43)
Transfers	(11)	-	-	(11)
Foreign exchange translation	(1)	(5)	-	(7)
Balance at 31/01/2018	**21**	**214**	**2**	**237**

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

17) Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2016	461	62	524
Acquisitions	37	16	53
Disposals	(24)	(0)	(24)
Profit/(Loss) for the year	(1)	(4)	(5)
Transfers	(1)	(1)	(2)
Foreign exchange translation differences	10	(2)	8
Balance at 31/01/2017	**483**	**71**	**554**
Balance at 01/02/2017	483	71	554
Acquisitions	20	5	25
Disposals	(28)	(1)	(29)
Profit/(Loss) for the year	-	(4)	(4)
Transfers	-	(7)	(7)
Foreign exchange translation differences	(17)	(1)	(19)
Balance at 31/01/2018	**457**	**62**	**520**

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 24), and to amounts paid to secure compliance with contracts in force.

These amounts are recognized at their repayment value, which coincides with the consideration transferred.

18) Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2018 and 2017 is as follows:

	31/01/2018	31/01/2017
Trade payables	3,577	3,471
Personnel	354	377
Public entities	469	757
Other current payables	505	490
Total	**4,906**	**5,095**

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	Current period 2017	Current period 2016
	Days	Days
Average period of payment to suppliers:	35.84	35.56
Ratio of transactions settled:	35.84	35.64
Ratio of transactions not yet settled:	35.78	34.42
	Amount	Amount
Total payments made (in million of euros):	3,245	2,918
Total payments outstanding (in million of euros):	222	199

This information relates to suppliers and creditors of Group companies domiciled in Spain.

19) Net financial position

The detail of the Group's net financial position is as follows:

	31/01/2018	31/01/2017
Cash in hand and at banks	1,925	1,807
Short-term deposits	2,938	2,125
Fixed-income securities	68	184
Total cash and cash equivalents	4,931	4,116
Current financial investments	1,472	2,037
Current financial debt	(12)	(62)
Non-current financial debt	(4)	(0)
Net financial position	6,387	6,090

“Cash on Hand and at Banks” includes cash on hand and in demand deposits at banks. “Short-Term Deposit” and “Fixed-Income Securities” include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

“Current Financial Investments” on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and obligations under finance leases is as follows:

	31/01/2018			31/01/2017		
	Current	Non-current	Total	Current	Non-current	Total
Loans	11	1	12	61	-	61
Finance leases	1	2	3	-	-	1
	12	4	16	62	-	62

At 31 January 2018, the Group had a limit of EUR 5,377 million on its drawable financing facilities (EUR 4,246 million at 31 January 2017). These include reverse factoring, credit and overdraft facilities.

Interest on all the financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market index plus a spread in line with the solvency of the Parent or the subsidiary that has arranged the debt.

Financial debt is denominated in the following currencies:

	31/01/2018	31/01/2017
Euro	4	0
Turkish lira	7	2
British pound	0	54
Chinese yen	0	1
South Korean WON	0	4
Indian Rupee	5	0
	16	62

The maturity schedule of the Group’s bank borrowings at 31 January 2018 and 2017 was as follows:

	31/01/2018	31/01/2017
Less than one year	12	62
Between one and five years	4	0
	16	62

20) Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2016	33	57	55	145
Provisions recorded during the year	20	53	19	92
Disposals	(1)	(3)	(2)	(6)
Transfers	3	5	-	8
Foreign exchange translation differences	(0)	1	2	3
Balance at 31/01/2017	**55**	**112**	**75**	**242**
Balance at 01/02/2017	55	112	75	242
Provisions recorded during the year	40	8	9	56
Disposals	(3)	(26)	(2)	(31)
Transfers	2	0	0	2
Foreign exchange translation differences	(2)	(1)	(7)	(10)
Balance at 31/01/2018	**92**	**93**	**74**	**259**

Provision for pensions and similar obligations to personnel

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2018. The estimated average payment period for the amounts provisioned is between three and five years.

Provision for liabilities

The amounts shown here correspond to present obligations due to legal claims or constructive obligations arising from past events which will probably result in an outflow of resources and can be reliably estimated. At the date of preparation of these consolidated annual accounts there were no legal proceedings the final outcome of which could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognized to arise therefrom.

21) Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2016	731	74	805
Acquisitions	165	-	165
Changes through profit or loss	14	21	34
Disposals	(3)	-	(3)
Transfers	(81)	(10)	(91)
Foreign exchange translation differences	11	0	11
Balance at 31/01/2017	**836**	**84**	**920**
Balance at 01/02/2017	836	84	920
Acquisitions	217	1	218
Changes through profit or loss	18	16	34
Disposals	(2)	(0)	(2)
Transfers	(99)	(12)	(112)
Foreign exchange translation differences	(53)	0	(53)
Balance at 31/01/2018	**917**	**89**	**1,005**

22) Capital and reserves

Share capital

At 31 January 2018 and 2017, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2018 and 2017 amounted to EUR 20 million, while retained earnings amounted to EUR 3,918 million and EUR 3,667 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2018 and 2017, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2018 include restricted reserves amounting to EUR 467 million (EUR 433 million at 31 January 2017) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, in 2017 Inditex contracted

Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service. As per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public information registered at the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly owned, at 31 January 2018 and 2017, 59.362% and 59.359% respectively of the Parent's share capital (see Note 29). At 31 January 2018 and 2017, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2017 and 2016 amounted to EUR 2,117 million and EUR 1,868 million, respectively. These amounts correspond to payments of EUR 0.68 per share in 2017 and EUR 0.60 per share in 2016.

The distribution of profit proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Shareholders´ Meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan, which was already accrued and settled (see Note 27 to the annual accounts for 2016), and authorized the Board of Directors to derivatively acquire treasury shares to cater for that plan. Similarly, the shareholders at the Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this Plan.

At 31 January 2017, the Parent owned a total of 3,610,755 treasury shares, representing 0.116% of the share capital.

On the other hand, in order for the Parent to have the shares required for delivery to the beneficiaries of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan, the Parent acquired shares until it reached a total of 4,004,029, representing 0.13% of the share capital.

In 2017 settlement of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned second cycle of the Plan. At 31 January 2018, the Parent owned 2,950,143 treasury shares, representing 0.095% of the share capital.

23) Income taxes

With the exception of Industria de Diseño Textil, S.A. and Indipunt, S.L., the companies whose information is included in these consolidated annual accounts file individual tax returns.

Industria de Diseño Textil, S.A. is the parent of a group of companies that files consolidated income tax returns in Spain. The consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups. The subsidiaries composing the aforementioned tax group are as follows:

Bershka BSK España, S.A.	Grupo Massimo Dutti, S.A.	Oysho España, S.A.	Tordera Logística, S.L.
Bershka Diseño, S.L.	Hampton, S.A.	Oysho Logística, S.A.	Trisko, S.A.
Bershka Logística, S.A.	Inditex, S.A.	Plataforma Cabanillas, S.A.	Uterqüe Diseño, S.L.
Born, S.A.	Inditex Logística, S.A.	Plataforma Europa, S.A.	Uterqüe España, S.A.
Choolet, S.A.	Invercarpro, S.A.	Plataforma Logística León, S.A.	Uterqüe Logística, S.A.
Comditel, S.A.	Kiddy's Class España, S.A.	Plataforma Logística Meco, S.A.	Uterqüe, S.A.
Confecciones Fíos, S.A.	Lefties España, S.A.	Pull & Bear Diseño, S.L.	Zara Diseño, S.L.
Confecciones Goa, S.A.	Lefties Logística, S.A.	Pull & Bear España, S.A.	Zara España, S.A.
Denllo, S.A.	Massimo Dutti Diseño, S.L.	Pull & Bear Logística, S.A.	Zara Home Diseño, S.L.
Fashion Logistics Forwarders, S.A.	Massimo Dutti Logística, S.A.	Samlor, S.A.	Zara Home España, S.A.
Fashion Retail, S.A.	Massimo Dutti, S.A.	Stear, S.A.	Zara Home Logística, S.A.
Fibracolor, S.A.	Nikole, S.A.	Stradivarius Diseño, S.L.	Zara Logística, S.A.
Glencare, S.A.	Nikole Diseño, S.L.	Stradivarius España, S.A.	Zara, S.A.
Goa-Invest, S.A.	Oysho Diseño, S.L.	Stradivarius Logística, S.A.	Zintura, S.A.

Indipunt, S.L. is the parent of another tax group formed by it and the subsidiary Indipunt Diseño, S.L.

The balance of “Current Income Tax Payable” in the consolidated balance sheet corresponds to the provision for income tax relating to the profit for 2017, net of withholdings and pre-payments made during the period. “ Trade and Other Payables” includes the liability relating to the other applicable taxes.

The balance of “Current Income Tax Assets” in the consolidated balance sheet corresponds essentially to income tax amounts recoverable from the tax authorities. The balance of “Trade and Other Receivables” in the accompanying consolidated balance sheet includes mainly the amount by which the input VAT exceeded output VAT for the period.

The income tax expense comprises both current tax expense and deferred tax expense. Current tax is the amount of income tax payable in respect of the taxable profit for the year and other tax charges arising from compliance with the legislation that governs income tax. Deferred tax is the amount of income tax payable or recoverable in future years and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2017	2016
Current taxes	984	995
Deferred taxes	(5)	(78)

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statement for 2017 and 2016 is as follows:

	2017	2016
Consolidated accounting profit for the year before taxes	4,351	4,078
Tax expense at tax rate in force in the country of the Parent	1,088	1,020
Net permanent differences	(145)	(175)
Effect of application of different tax rates	(45)	(74)
Adjustments to prior year's taxes	23	38
Tax withholdings and other adjustments	78	117
Adjustments to deffered tax assets and liabilities	10	5
Tax withholdings and tax benefits	(30)	(14)
Income tax expense	979	917

The permanent differences correspond mainly to non-deductible expenses and taxable income relating to the contribution of rights to use certain assets to a subsidiary.

The consolidated Group companies availed themselves of tax benefits provided for in the tax legislation prevailing in each country amounting to EUR 30 million at 31 January 2018 (31 January 2017: EUR 14 million). These tax benefits relate mainly to tax credits for investments, double taxation tax credits and, to a lesser extent, to tax relief.

The temporary differences are the differences between the carrying amounts of assets or liabilities and their tax base. The consolidated balance sheet as at 31 January 2018 reflects the deferred tax assets and liabilities at that date.

The detail of “Deferred Tax Assets” and “Deferred Tax Liabilities” in the accompanying consolidated balance sheet is as follows:

Deferred tax assets arising from:	2017	2016
Provisions	116	105
Non-current assets	144	143
Lease incentives	53	48
Valuation adjustments	56	48
Tax losses	79	101
Intra-Group transactions	179	181
Other	115	96
Total	744	722

Deferred tax liabilities arising from:	2017	2016
Leases	0	1
Intra-Group transactions	126	134
Non-current assets	60	52
Valuation adjustments	22	32
Other	59	39
Total	268	257

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2017 and 2016 were as follows:

	2017 Deferred tax assets	2016 Deferred tax assets
Opening balance	722	693
Charge/Credit to profit or loss	33	30
Charge/Credit to equity	(11)	1
Transfers	0	(3)
Closing balance	**744**	**722**

	2017 Deferred tax liabilities	2016 Deferred tax liabilities
Opening balance	257	285
Charge/Credit to profit or loss	13	(43)
Charge/Credit to equity	(2)	18
Transfers	0	(3)
Closing balance	**268**	**257**

At 31 January 2018, the Group had tax losses of EUR 372 million (EUR 416 million at 31 January 2017) which may be offset against future profits. The foregoing detail of deferred tax assets includes those relating to tax loss carryforwards, with a balance of EUR 79 million at 31 January 2018 (31 January 2017: EUR 101 million). The Group, based on the methodology established for verifying the existence of indications of impairment on its non-current assets (see Note 2.2-g), constructs the assumptions for analysing the existence of sufficient taxable profits in the future to make it possible to offset the tax losses before they become statute-barred. Also, the Group takes into account the reversal at the same taxable entity of deferred tax liabilities relating to the same taxation authority that might give rise to sufficient taxable amounts against which it can offset the unused tax losses. Therefore, the balance of deferred tax assets recognized in the consolidated balance sheet is the result of the aforementioned analysis of the total amount of tax losses reported by the Group at year-end which, for the most part, are not subject to any effective statute-of-limitations period.

Also, certain companies forming part of the consolidated Group have reserves which could be taxable if distributed. These consolidated annual accounts include the tax effect associated with such a distribution to the extent that it is probable that it will occur in the foreseeable future. The deferred tax liabilities associated with investments in subsidiaries, associates and permanent establishments, which were not recognized because the Group opted to avail itself of the exception provided for in IAS 12, amounted to EUR 28 million.

In addition, under the tax legislation applicable to the Parent of the Group, the dividends to the Parent's shareholders that were proposed or declared before the annual accounts were authorized for issue but which were not recognized as liabilities do not have any income tax consequences for the Parent.

The years open for review by the tax authorities for the main applicable taxes vary depending on the tax legislation in each country in which the Group operates. Certain Group companies are currently being audited for tax purposes, including most notably those domiciled in Italy and the US. In any case, the Group does not expect any liabilities that might significantly affect its equity position or results to arise as a result of the tax audits in progress or those that might be carried out in the future in relation to periods are not yet statute-barred.

Lastly, these consolidated annual accounts include the effect of the entry into force in Spain of Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at shoring up public finances. These measures consisted of the amendment of the limits for offsetting tax losses and the introduction of the compulsory reversal of impairment losses on investments and the non-deductibility of losses arising on the transfer of investments in certain entities. The effect of these measures on the Group's equity position and results was not significant.

24) Operating leases

Most of the commercial premises at which the Group carries on its retail distribution activities are leased from third parties. These leases are classified as operating leases because they do not transfer the risks and rewards incidental to ownership of the underlying assets, since:

- ownership of the asset is not transferred to the lessee by the end of the lease term;
- the lessee does not have an option to purchase the leased asset;
- the leases have an initial term of between 10 and 15 years, which is shorter than the estimated useful life of assets of this nature (see Note 2.2-c);
- at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Due, inter alia, to the presence of the Group in various countries, the resulting variety of legislation governing leases and the diverse nature and economic status of the owners, its leases are regulated by a broad range of clauses.

In many cases the leases simply establish a fixed lease payment, normally made on a monthly basis and, which may be adjusted in accordance with rent revision rules, including most notably, among others, revisions in line with inflation on the basis of price indices correcting the amounts paid for the effect of inflation and periodic rent revisions to bring the amounts paid into line with market prices. In other cases the amounts payable to the lessor are determined as a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may be instrumented through advance rental payments, have guaranteed minimum amounts or certain specific calculation rules attached. Occasionally, escalating rental payments or rent-free grace periods are agreed, which means cash outflows can be reduced at the start of the lease, even if the expense is recognized on a straight-line basis (see Note 2.2-q).

Lease contracts also sometimes require the lessee to pay certain amounts to the lessor which, from an economic perspective, could be considered to be advance rental payments, or to pay amounts to the previous tenants so that they waive certain rights or transfer them to the Group (leasehold assignment rights or various types of indemnities). These amounts are recognized as non-current assets (see Note 14) and are generally amortized over the term of the lease.

On certain occasions, shopping centre developers or the owners of leased premises make contributions towards the establishment of the Group’s business in their premises. These contributions are treated as lease incentives (see Note 21) and are recognized in the income statement on a straight-line basis over the lease term.

There is also a wide variety of different lease terms, although they generally have an initial term of between 10 and 15 years. Also, in most cases the lessee has the power to renew the lease and extend the related lease term.

Often, legislation or the leases themselves acknowledge the right of the lessee to terminate the lease. Most leases provide for the option for the Group of terminating the lease within five years on average, it being possible to terminate the contractual relationship after this period provided that the previously agreed-upon notice (e.g. three months) is duly served. Clauses that allow for the termination of leases at any time during their term are also common, only requiring advance notice within the agreed term. Some leases combine the minimum term obligations with get-out clauses that may only be exercised at certain times during the term of the lease (e.g. every three or five years). In other less frequent cases, however, the Group is obliged to see out the full term of the lease.

The detail of the operating lease expense is as follows:

	2017	2016
Minimum payments	1,913	1,820
Contingent rents	446	401
	2,358	2,221
Sublease income	4	5

The breakdown of the future minimum lease payments under non-cancellable operating leases is as follows:

	2017			2016		
	Less than one year	One to five years	Over five years	Less than one year	One to five years	Over five years
Lease payments	1,453	2,386	1,092	1,385	2,358	1,239

25) Financial risk management policy and financial instruments

Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian rouble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimization of the Group's operations in order to minimize the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro), and these instruments are recognized under “Current Financial Asset”.

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group uses financial derivatives such as zero-premium option combinations and, occasionally, foreign currency forwards and plain vanilla options.

Certain Group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing foreign currency risk management policies, derivatives are arranged, mainly forwards and cross currency swaps, to hedge the changes in fair value related to exchange rates.

As described in Note 2.2-o, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 2.2-o on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2017, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

Approximately 60% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to year-end, while the remaining 40% are expected to fall due between six months and one year. Also, the impact on the consolidated income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 2.2-o.

The Group uses the Cash-Flow-at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value-at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 237 million at 31 January 2018 (31 January 2017: EUR 267 million).

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Group adopts prudent criteria in its investment policy the main objectives of which are to mitigate the credit risk associated with investment products and the counterparty risk associated with banks by establishing highly detailed analysis criteria.

Investment vehicles are rated using a selection of criteria, including, inter alia, the ratings of the three main rating agencies, the size of the investment vehicle, location and returns. All the investment vehicles have the highest possible credit rating.

In addition to taking into account the credit ratings issued by the three main rating agencies, the Group considers the solvency, liquidity, asset quality and managerial prudence of the banks, as well as the potential performance of the bank in stressed conditions and standard probability of default models.

Based on the aforementioned counterparty risk considerations, the Group assigns a rating that determines the maximum permissible exposure to a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Group. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfilment by the investment vehicle of domestic and regulatory requirements.

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement. Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

In relation to credit risk arising from commercial transactions, impairment losses are recognized for trade receivables when objective evidence exists that the Group will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognized in the consolidated income statement. In 2017 there were no significant additions to or reversals of impairment losses in this connection.

At 31 January 2018 and 2017, there were no material past-due balances. Furthermore, based on available historical data, the Group does not consider it necessary to make valuation adjustments to receivables which are not past due. The fair value of the receivables does not differ from their carrying amount.

The main financial assets of the Group are shown in the “Financial instruments: other information” section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 19).

Note 19 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Group's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (see Note 19), any changes in interest rates at year-end would not significantly affect consolidated profits.

- Financial debt: given the amount of the Group's external financing (see Note 19), any change in interest rates at year-end would not significantly affect consolidated profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 2.2-g).

- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Group does not have any material financial assets or liabilities designated as at fair value through profit or loss.

Country risk

The international presence of the Group's business activities exposes it to the country risk of multiple geographical regions, in both its supply and its sales and distribution activities. The Group adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

Although the progress of the negotiations relating to the UK leaving the European Union (Article 50 of the Lisbon Treaty) continued to bring instability to the markets, its impact was not significant for the Group in 2017. The changes in value of the pound sterling during the Brexit negotiations did not trigger a material increase in foreign currency risk, in view of the behaviour of the Group's currency exposure portfolio due to its high level of diversification and the foreign currency risk management policy in place.

One of the most significant manifestations of country risk is foreign currency risk and the possibility of exposure to limits or controls on the free circulation of cash flows due to a lack of currency convertibility, in current or capital account terms, or to unexpected restrictions on the movement of capital. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum.

At 31 January 2018, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

At 31 January 2018, the Group was not operating in markets in which there was more than one exchange rate.

Capital management

The Group's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 28.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2018 and 2017, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:

Other financial assets	2017	2016
Fair value of the hedging instruments	12	87
Total	**12**	**87**

Other financial liabilities	2017	2016
Fair value of the hedging instruments	81	40
Reciprocal call and put options (Notes 6)	24	24
Total	**105**	**64**

The detail of the fair value (measured as indicated in Note 2.2-o) of the hedging instruments for 2017 and 2016 is as follows:

2017

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2017	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2016
OTC Derivatives						
Foreign currency forwards	2	12	(63)	(11)	6	81
Options	2	-	-	(6)	-	6
Zero-premium option combinations	2	-	-	-	-	-
Total Derivates		**12**	**(63)**	**(17)**	**6**	**87**

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2017	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2016
OTC Derivatives						
Foreign currency forwards	2	80	24	0	31	25
Zero-premium option combinations	2	-	-	-	-	-
Cross Currency Swap	2	1	(14)	-	-	15
Total Derivates		**81**	**10**	**0**	**31**	**40**

2016

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2016	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2015
OTC Derivatives						
Foreign currency forwards	2	81	53	(36)	19	46
Options	2	6	-	-	6	-
Zero-premium option combinations	2					
Total Derivates		**87**	**53**	**(36)**	**25**	**46**

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2016	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2015
OTC Derivatives						
Foreign currency forwards	2	25	(17)	-	9	34
Zero-premium option combinations	2	-	-	-	-	-
Cross Currency Swap	2	15	-	-	(2)	17
Interest rate Swap	2	-	-	-	-	-
Total Derivates		**40**	**(17)**	**0**	**8**	**50**

There were no transfers among the various levels of the fair value hierarchy (see Note 2.2-o).

Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the guarantees given in relation to the lease of commercial premises, which are shown under "Other Non-Current Assets". The main financial assets of the Group are as follows:

	2017	2016
Cash and cash equivalents (Note 19)	4,931	4,116
Current financial investments (Note 19)	1,472	2,037
Trade receivables (Note 11)	202	232
Receivable due to sales to franchises (Note 11)	231	233
Other current receivables (Note 11)	147	118
Guarantees (Note 17)	457	483
Total	**7,440**	**7,218**

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

The fair value of financial assets and liabilities measured at amortized cost does not differ substantially from their carrying amount, taking into account that in the majority of cases collection or payment will be made in a short time frame. In 2017 no significant impairment losses were recognized on financial assets.

26) Employee benefits

Defined benefit or defined contribution plan obligations

As a general rule, the Group does not have any defined benefit or defined contribution plan obligations to its employees. However, in certain countries, in line with prevailing labour legislation or customary local employment practice, the Group assumes certain obligations relating to the payment of specified amounts for accidents, illness, retirement, etc., to which employees sometimes contribute. The associated risk is partially or fully externalized through insurance policies.

Furthermore, in some countries employees receive a share of the profits generated by Group companies. The liabilities associated with these items are recognized under "Trade and Other Payables" and "Other Non-Current Liabilities" in the consolidated balance sheet. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

Long-term incentive plans

2016-2020 Long-Term Incentive Plan

The Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("**the 2016-2020 Plan**") for members of the management team and other personnel of Inditex and of its corporate Group. Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2016-2020 Plan combines a multi-year cash bonus and a promise to deliver free shares which, after a specified period of time has elapsed and the achievement of specific targets has been verified, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2016-2020 Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the 2016-2020 Plan is from 1 February 2016 to 31 January 2019. The second cycle spans the period from 1 February 2017 to 31 January 2020.

The 2016-2020 Plan is linked to critical business targets and the creation of shareholder value.

The 2016-2020 Plan does not expose the Group to any material risks.

The liability relating to the cash-settled component of the 2016-2020 Plan is recognized under "Provisions" in the consolidated balance sheet and the related period provision is reflected under operating profit in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

The amount relating to the equity-settled component of the 2016-2020 Plan is recognized under "Equity" in the consolidated balance sheet and the related period charge is reflected under operating profit in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

To cater for this 2016-2020 Plan, the Group acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 22).

The incentive to be received will be calculated as provided for in the resolution seven of the Annual General Shareholders´ Meeting held on 19 July 2016.

Extraordinary profit-sharing plan

In 2017, the second period of calculation of the extraordinary plan in relation to participation of employees in the growth of the Company's profits has been settled in accordance with the criteria described in Notes 27 of the notes to the consolidated annual accounts for 2016.

In 2018 the plan will be executed in relation to the increase in net profit in the period of calculation corresponding to 2017 with respect to 2016.

The liability relating to this plan is recognized under “Trade and Other Payables” in the consolidated balance sheet and the related annual charge is reflected under “Operating Expenses” in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

27) Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Tempe, S.A.	50.00%	Alicante - Spain	Equity method	31-jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City - México	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Logística, S.A.	50.00%	Alicante - Spain	Equity method	31-jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo -Brazil	Equity method	31-dec	Multi-concept	Dormant
Tempe Diseño, S.L.	50.00%	Alicante - Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading	50.00%	Fribourg - Switzerland	Equity method	31-oct	Multi-concept	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong - SAR	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai- China	Equity method	31-dec	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRSs, together with other relevant financial information:

	2017	2016
Fixed assets	170	160
Others	29	25
Non-current assets	**199**	**185**
Inventories	238	241
Trade and other receivables	377	351
Cash and cash equivalents	18	42
Current assets	**632**	**634**
Non-current liabilities	**(42)**	**(48)**
Trade and other payables	(319)	(338)
Others	(19)	(6)
Current liabilities	**(338)**	**(345)**
Net assets	**452**	**426**
Revenues	1,246	1,238
Gross profit	288	308
Operating expenses	(182)	(169)
Amortization and depreciation	(24)	(22)
Net operating profit (EBIT)	**92**	**117**
Net profit	81	95

In 2017 the Group received dividends totalling EUR 21 million (EUR 27 million in 2016) from Tempe (see note 16).

28) Proposed distribution of the profit of the Parent

The Directors will propose that EUR 2,335 million of the 2017 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of EUR 0.54 gross per share and an extraordinary dividend of EUR 0.21 gross per share on the total outstanding shares, and that EUR 40 million be taken to voluntary reserves.

From the total amount of EUR 0.75 per share to be distributed as dividend, EUR 0.375 per share are payable on 2 May 2018 in concept of interim ordinary dividend and EUR 0.375 per share on 2 November 2018 as extraordinary dividend and bonus dividend.

29) Remuneration of the Board of Directors and related party transactions

Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and senior management of the Parent in 2017 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2018, per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
Mr Pablo Isla Álvarez de Tejera	1,933,560	-	0.062%
Mr Amancio Ortega Gaona	-	1,848,000,315 (1)	59.294%
Mr José Arnau Sierra	30,000	-	0.001%
Pontegadea Inversiones, S.L. (2)	1,558,637,990	-	50.010%
Ms Denise Patricia Kingsmill	-	-	-
Mr José Luis Durán Schulz	3,106	-	-
Mr Rodrigo Echenique Gordillo	-	-	-
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	-	0.005%
Mr Emilio Saracho Rodríguez de Torres	-	-	-
Total			59.362%

1 Through Pontegadea Inversiones, S.L. and Partler 2006, S.L.

2 Represented by Ms Flora Pérez Marcote

As established in Article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Law in order to improve corporate governance, it is hereby disclosed that the directors did not report any situation of direct or indirect conflict of interest that they or persons related to them might have with the Parent.

When the Board of Directors deliberated on the appointment or re-election of a director, on the acknowledgment and acceptance of his/her resignation, on the placement of his/her office at the disposal of the Board, on remuneration or on any other resolution involving a director or a person or company related to a director, the person concerned left the meeting room during the deliberation of and voting on the corresponding resolution.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities (Note 27) and associates detailed in Appendix I to the notes to the consolidated annual accounts, the significant or controlling shareholders, the members of the Board of Directors of Inditex and senior management of the Inditex Group, as well as their close family members, as defined in Article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official secondary markets must disclose.

The transactions with related parties were performed on an arm's length basis.

Inditex Group companies

The transactions between Inditex and its subsidiaries, which form part of the normal course of business in terms of their purpose and terms and conditions, were eliminated in full on consolidation and, therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities in the consolidated balance sheet:

Transactions:

Type of company	2017	2016
Jointly controlled entities	(951)	(960)

Balances:

	31/01/2018	31/01/2017
Current financial investments	1	0
Trade and other receivables	7	5
Non-current financial investments	227	219
Trade and other payables	251	205
Current financial debt	1	0

The detail of the transactions with significant shareholders, the members of the Board of Directors and management is as follows:

Significant shareholders

In 2017 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of transaction	Amount
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(42)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	0.2
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(0)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of products	0
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	7
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Lease of assets	(1)
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Other expenses	(0)

In 2016 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of transaction	Amount
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(40)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	0.2
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of assets	25
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(0)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of products	0
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	11
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Lease of assets	(1)
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Other expenses	(0)

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and management

The amounts indicated in the following tables and paragraphs referring to remuneration and termination benefits are expressed in thousands of euros in both years

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2017:

	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Comittees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2017
Mr Pablo Isla Álvarez de Tejera	Executive	100	0	0	0	3,250	3,220	4,120	10,690
Mr José Arnau Sierra	Propietary	100	80	150	0	0	0	0	330
Mr Amancio Ortega Gaona	Propietary	100	0	0	0	0	0	0	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	0	0	0	0	0	0	100
Ms Denise Patricia Kingsmill	Independent	100	0	150	0	0	0	0	250
Mr.José Luis Durán Schulz	Independent	100	0	150	50	0	0	0	300
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100	0	150	0	0	0	0	250
Mr Rodrigo Echenique Gordillo	Independent	100	0	150	50	0	0	0	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	0	150	50	0	0	0	300
TOTAL		900	80	900	150	3,250	3,220	4,120	12,620

Notes:

(1) Represented by Ms Flora Pérez Marcote

An itemised breakdown of the remuneration of the members of the Board of Directors in 2016 is as follows:

	Type	Remuneration of board members	Remuneration of Deputy Chairman of board of directors	Remuneration for serving on Comittees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2016
Mr Pablo Isla Álvarez de Tejera	Executive	100	0	0	0	3,250	3,627	3,395	10,372
Mr José Arnau Sierra	Propietary	100	80	150	0	0	0	0	330
Mr Amancio Ortega	Propietary	100	0	0	0	0	0	0	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	0	0	0	0	0	0	100
Ms Irene R.Miller (2)	Independent	46	0	70	23	0	0	0	139
Ms Denise Patricia Kingsmill (3)	Independent	54	0	80	0	0	0	0	134
Mr.José Luis Durán Schulz (4)	Independent	100	0	150	27	0	0	0	277
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100	0	150	0	0	0	0	250
Mr Rodrigo Echenique Gordillo	Independent	100	0	150	50	0	0	0	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	0	150	50	0	0	0	300
		900	80	900	150	3,250	3,627	3,395	12,302

Notes:

(1) Represented by Ms Flora Pérez Marcote.

(2) Cessation of employment at 18 July 2016

(3) Appointment ar 19 July 2016

(4) Appointment as Audit and Control Committee at 19 July 2016

The total remuneration and termination benefits earned by senior management of the Inditex Group in 2017 were as follows:

	MANAGEMENT
Remuneration	34,426
Termination benefits	-

The total remuneration and termination benefits earned by senior management of the Inditex Group in 2016 were as follows:

	MANAGEMENT
Remuneration	31,379
Termination benefits	-

The aforementioned remuneration for 2017 includes the amount vested in 2017 of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan. The incentive vested in 2017 under the aforementioned plan amounted to EUR 4,120 thousand for Directors and EUR 9,271 thousand for senior management and were paid in the first half of the 2017 reporting period. The amounts vested in 2016 corresponding to the first cycle (2013-2016) under the Long-Term Share-Based Incentive Plan were EUR 3,395 thousand for Directors and EUR 7,368 thousand for senior management and were paid in the first half of the 2016 reporting period.

In 2017 and 2016 no contributions were made to the defined contribution benefit Plan.

30) External auditors

In 2017 and 2016 the fees for financial audit and other services provided by the auditor of the Group’s annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2017	2016
Audit services	6.3	6.1
Other assurance services	0.5	0.5
Total audit and similar services	6.8	6.6
Tax advisory services	0.0	0.1
Other services	0.1	0.0
Total professional services	**6.9**	**6.7**

In addition to the audit of the Inditex Group's annual accounts, the audit services rendered by Deloitte in 2017 and 2016 include certain audit work related to the external audit.

According to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.0204% of their total revenue.

31) Environment

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

32) Events after the reporting period

At the date of formal preparation of these consolidated annual accounts no matters had been disclosed that might modify the consolidated annual accounts or give rise to disclosures additional to those already included in these consolidated annual accounts.

33) Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I-Composition of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100.00%	Hong Kong SAR	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Confecciones Fíos, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Confecciones Goa, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Denllo, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Hampton, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Nikole, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Samlor, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Stear, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Trisko, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Zintura, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Glencare, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Indipunt, S.L.	51.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Textil Manufacturing
Indipunt Diseño, S.L.	51.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Design
Zara España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100.00%	New York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Zara	Retail sales
Zara UK, Ltd.	100.00%	London - UK	Full Consol.	31-jan	Zara	Retail sales
Zara Mexico, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-jan	Zara	Retail sales
Zara México, S.A. de C.V.	95.00%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Zara Portugal Confecçoes Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100.00%	Montevideo -Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Financiën B.V. Ireland	100.00%	Dublin - Irland	Full Consol.	31-jan	Multi-concept	Financial services
Zara Brasil, Lda.	100.00%	Sao Paulo -Brazil	Full Consol.	31-dec	Zara	Retail sales
Zara Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100.00%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Zara Denmark A/S	100.00%	Copenhaguen - Denmark	Full Consol.	31-jan	Zara	Retail sales
Zara Sverige, AB	100.00%	Stockholm - Sweden	Full Consol.	31-jan	Zara	Retail sales
Zara Norge, AS	100.00%	Oslo - Norway	Full Consol.	31-jan	Zara	Retail sales
Zara Canada, Inc.	100.00%	Montreal - Canada	Full Consol.	31-jan	Zara	Retail sales
Zara Suisse S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Zara Luxembourg, S.A.	100.00%	Luxembourg - Luxembourg	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales
Zara Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Zara	Retail sales
Zara Japan Corp.	100.00%	Tokyo - Japan	Full Consol.	31-jan	Zara	Retail sales
Zara Ceská Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Zara	Retail sales
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100.00%	Dublin - Irland	Full Consol.	31-jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100.00%	Monte Carlo-Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100.00%	Shanghai- China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100.00%	Beijing- China	Full Consol.	31-dec	Zara	Retail sales
Zara Macau, Ltd.	100.00%	Macao SAR	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100.00%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
ZAO Zara CIS, Ltd.	100.00%	Moscow- Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company
Zara Bucuresti, Srl	100.00%	Bucharest-Romania	Full Consol.	31-dec	Zara	Retail sales
Zara Ukraine LLC	100.00%	Kiev-Ukraine	Full Consol.	31-dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31-jan	Zara	Retail sales
Zara Taiwan, B.V. TW Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
Zara Croatia, Ltd.	100.00%	Zagreb-Croatia	Full Consol.	31-jan	Zara	Retail sales
Zara Retail Korea, Ltd.	80.00%	Seoul - South Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100.00%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Zara Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Retail NZ Limited	100.00%	Auckland - New Zealand	Full Consol.	31-jan	Zara	Retail sales
Kommanditgesellschaft ZARA Deutschland B.V. & Co.	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
ITX Fashion retail South Africa	90.00%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	80.00%	Sidney - Australia	Full Consol.	31-jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100.00%	Minsk-Belarus	Full Consol.	31-dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	Full Consol.	31-jan	Zara	Retail sales
ITX Financien, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
Zara Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-jan	Zara	Retail sales
Nikole Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100.00%	Podgoricaa - Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100.00%	Seoul - South Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private LTD	51.00%	Gurgaon-India	Full Consol.	31-mar	Zara	Retail sales
Kiddy´s Class España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Fibracolor, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Zara	Dormant
ITX Holding, S.A.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Holding company
Zara Finland, OY	100.00%	Helsinki - Finland	Full Consol.	31-jan	Zara	Retail sales
Retail Group Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100.00%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100.00%	Shanghai- China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales
Oysho Portugal, Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Oysho	Retail sales
Oysho Hellas, S.A.	100.00%	Athens - Grece	Full Consol.	31-jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100.00%	Warsaw- Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100.00%	Moscow- Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100.00%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ro, Srl	100.00%	Bucharest-Romania	Full Consol.	31-dec	Oysho	Retail sales
Oysho Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-dec	Oysho	Retail sales
Oysho Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., LTD.	100.00%	Shanghai- China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, LTD	100.00%	Seoul - South Korea	Full Consol.	31-jan	Oysho	Retail sales
Oysho Croacia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100.00%	Macao SAR	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100.00%	Hong Kong SAR	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A	100.00%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100.00%	Minsk-Belarus	Full Consol.	31-dec	Oysho	Retail sales
Oysho Suisse SÀRL	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100.00%	London - UK	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100.00%	Stockholm - Sweden	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100.00%	Oslo - Noruega	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100.00%	Dublin - Irland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC	100.00%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Danmark A/S	100.00%	Copenhagen - Denmark	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti CIS, Ltd.	100.00%	Moscow- Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Massimo Dutti Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100.00%	Hong Kong SAR	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100.00%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100.00%	Bucharest-Romania	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100.00%	Macao SAR	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100.00%	Beijing- China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Korea, LTD	100.00%	Seoul - South Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, LTD	100.00%	Shanghai- China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich, GMBH	100.00%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100.00%	Montreal - Canada	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100.00%	Helsinki - Finland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100.00%	Minsk-Belarus	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, N.V.	100.00%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
Italco Moda Italiana, LDA.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Japan, Co.	100.00%	Tokyo - Japan	Full Consol.	31-jan	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100.00%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorxzág KFT	100.00%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales
Master Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo DuttiI India Private Ltd	51.00%	Gurgaon-India	Full Consol.	31-mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100.00%	Dublin - Irland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100.00%	Warsaw- Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100.00%	Moscow- Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100.00%	London - UK	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100.00%	Bucharest-Romania	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100.00%	Beijing- China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong LTD	100.00%	Hong Kong SAR	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design
Pull & Bear Macau, LTD	100.00%	Macao SAR	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100.00%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, LTD	100.00%	Seoul - South Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
P&B Gmbh	100.00%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100.00%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100.00%	Stockholm - Sweden	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100.00%	Stockholm - Sweden	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100.00%	Minsk-Belarus	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	Full Consol.	31-jan	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Uterqüe, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Buyer
Uterqüe España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hellas	100.00%	Athens - Greece	Full Consol.	31-jan	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. Lda	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Cis, LTD	100.00%	Moscow- Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Design
ITX Italia, Srl.	100.00%	Milan - Italy	Full Consol.	31-jan	Uterqüe	Retail sales
ITX Finance Asia, LTD	100.00%	Hong Kong SAR	Full Consol.	31-jan	Zara	Financial services
Uterqüe Commercial & Trading (Shangai) Co., LTD.	100.00%	Shanghai- China	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Polska SP. ZOO	100.00%	Varsovia - Poland	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100.00%	Kiev-Ukraine	Full Consol.	31-jan	Uterqüe	Retail sales
Bershka BSK España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100.00%	London - UK	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100.00%	Dublin - Irland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Bershka	Retail sales
Bershka Croatia, Ltd.	100.00%	Zagreb-Croatia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100.00%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Carpati, Srl	100.00%	Bucharest-Romania	Full Consol.	31-dec	Bershka	Retail sales
Bershka Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100.00%	Moscow- Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100.00%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hong Kong Limited	100.00%	Hong Kong SAR	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100.00%	Beijing- China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, LTD	100.00%	Seoul - South Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
Bershka Macau, LTD	100.00%	Macao SAR	Full Consol.	31-dec	Bershka	Retail sales
Bershka Japan, LTD	100.00%	Tokyo - Japan	Full Consol.	31-jan	Bershka	Retail sales
BSKE, GMBH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100.00%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100.00%	Shanghai- China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100.00%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100.00%	Minsk-Belarus	Full Consol.	31-dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	Full Consol.	31-jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE	100.00%	Dublin - Irland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp z.o.o	100.00%	Warsaw- Poland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ireland Limited	100.00%	Dublin - Irland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100.00%	Milan - Italy	Full Consol.	31-jan	Stradivarius	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Stradivarius CIS, Ltd.	100.00%	Moscow- Russia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Croatia, LTD.	100.00%	Zagreb-Croatia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100.00%	Bucharest-Romania	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ceská Republika, s.r.o	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, LTD	100.00%	Shanghai- China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Macau, LTD	100.00%	Macao SAR	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Korea, LTD	100.00%	Seoul - South Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, LTD	100.00%	Hong Kong SAR	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100.00%	London - UK	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Japan Corporation	100.00%	Tokyo - Japan	Full Consol.	31-jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100.00%	Minsk-Belarus	I. Global	31-dic	Stradivarius	Retail sales
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	I. Global	31-ene	Stradivarius	Retail sales
ITX Trading, S.A.	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer
Zara Home España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100.00%	London - UK	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Ro, Srl	100.00%	Bucharest-Romania	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100.00%	Moscow- Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100.00%	Warsaw- Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, Gmbh	100.00%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100.00%	Sao Paulo -Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shangai) Co., LTD.	100.00%	Shanghai- China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Japan Corp.	100.00%	Tokyo - Japan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Canada, Inc	100.00%	Montreal - Canada	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Macao Ltd	100.00%	Macao SAR	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Sverige AB	100.00%	Stockholm - Sweden	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100.00%	Hong Kong SAR	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÀRL	100.00%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100.00%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100.00%	Sidney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100.00%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100.00%	Seoul - South Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Danmark A/S	100.00%	Copenhagen - Denmark	Full Consol.	31-jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100.00%	Montevideo -Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100.00%	Belgrade - Serbia	Full Consol.	31-dec	Zara Home	Retail sales
Limited Liability Company "ZARA HOME BLR"	100.00%	Minsk-Belarus	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100.00%	Prague - Czech Republic	Full Consol.	31-jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100.00%	León- Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100.00%	Madrid- Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics
Uterqüe Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Uterque Fashion RO S.R.L.	100.00%	Bucharest-Romania	Full Consol.	31-dec	Uterqüe	Retail sales
Lefties Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Inditex Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Tordera Logística, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
ITX Fashion Ltd	100.00%	Dublin - Irland	Full Consol.	31-jan	Multi-concept	Dormant
Goa-Invest, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100.00%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100.00%	Hong Kong SAR	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100.00%	Paris - France	Full Consol.	31-dec	Zara	Real estate
Invercarpro, S.A.	100.00%	Madrid - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100.00%	Palma de Mallorca- Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100.00%	Moscow- Russia	Full Consol.	31-dec	Zara	Retail sales
Lelystad Platform, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Robustae Mexico, S.A DE C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Robustae S.G.P.S. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
Lefties España, S,A,	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Inditex Cogeneración, A.I.E.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Combined heat and power plant
Inditex, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100.00%	Shanghai- China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100.00%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100.00%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100.00%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100.00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100.00%	Skopje-Macedonia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100.00%	Shanghai- China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Financien II, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Korea LIMITED	100.00%	Seoul - South Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100.00%	Gurgaon-India	Full Consol.	31-mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant
ITX Merken, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100.00%	Vienna - Austria	Full Consol.	31-jan	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Pull & Bear, Luxembourg S.A.	100.00%	Luxembourg - Luxembourg	Full Consol.	31-jan	Pull & Bear	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
CDC Trading (Shangai) Co. LTD.	100.00%	Shanghai- China	Full Consol.	31-dec	Multi-concept	Buyer
Oysho Sverige, AB	100.00%	Stockholm - Sweden	Full Consol.	31-jan	Oysho	Retail sales
Oysho Slovakia S.R.O	100.00%	Bratislava-Slovakia	Full Consol.	31-jan	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100.00%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Construction

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Directors' report at 31 January 2018

(Amounts expressed in millions of euros)

Situation of the entity

The information relating to the "Situation of the entity" is detailed in section "I. Inditex: Integrated and Sustainable Business Model" in the accompanying Annex IV that contains the "Non-financial information and information on diversity" of Inditex Group.

Organizational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Shareholders´ Meeting
- Board of Directors
- Executive Committee
- Audit and Control Committee
- Nomination Committee
- Remuneration Committee
- Compliance committee and office
- Ethics Committee

Business performance and results

Key financial and non-financial indicators

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

In FY2017, Inditex achieved a strong operating performance. Net sales reached €25.3 billion, with sales growth of 9%. Sales in local currencies grew 10%.

Like-for-like sales increased 5% in FY2017 (6% in the first half and 5% in the second half) on 10% in FY2016. LFL sales were positive across all geographic areas and in all concepts in 2017. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2017 and 2016) and online. This represents 80% of total sales.

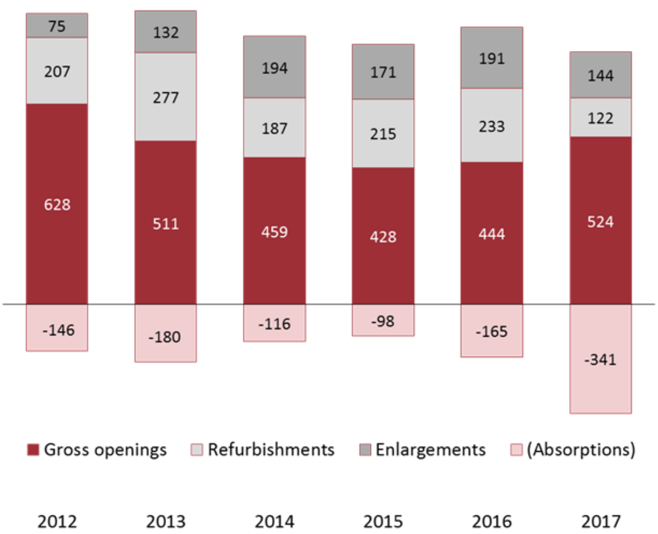
Online sales grew 41% to 10% of net sales in 2017. Online sales account for 12% of net sales in markets with online sales.

Global online sales were launched in the year for Zara in Singapore, Malaysia, Thailand, Vietnam and India. Online sales for Zara were launched in Australia and New Zealand on 14 March 2018.

In FY2017 Inditex new space in prime locations increased 7.4%. Total selling area at FYE reached 4,739,427 square metres:

	2017	2016	17/16
Zara	2,906,419	2,705,417	7%
Pull&Bear	409,363	387,023	6%
Massimo Dutti	269,512	251,157	7%
Bershka	514,384	485,966	6%
Stradivarius	324,045	299,391	8%
Oysho	116,079	101,960	14%
Zara Home	185,329	168,218	10%
Uterqüe	14,297	11,764	22%
Total	4,739,427	4,410,896	7%

Inditex has been very active in store optimisation activities in 2017 (524 openings, 341 absorptions, 144 enlargements and 122 refurbishments). Net store openings in FY2017 amounted to 183 reaching a total of 7,475 stores. In FY2017 Inditex opened stores in 58 markets. Absorption costs related to 2018 have been provisioned in full in the 2017 accounts.



A list of quarterly openings and stores opened as at FYE is included in the table below:

Net openings by quarter:

Concept	1Q 2017	2Q 2017	3Q 2017	4Q 2017	Total 2017
Zara	20	5	35	(9)	51
Zara Kids	(1)	(2)	(4)	(6)	(13)
Pull&Bear	9	(4)	8	(7)	6
Massimo Dutti	4	3	9	(1)	15
Bershka	15	2	4	(4)	17
Stradivarius	21	0	9	(7)	23
Oysho	10	9	17	(2)	34
Zara Home	11	6	18	3	38
Uterqüe	4	1	3	4	12
Total	93	20	99	(29)	183

Total stores by quarter:

Concept	1Q 2017	2Q 2017	3Q 2017	4Q 2017
Zara	2,087	2,092	2,127	2,118
Zara Kids	145	143	139	133
Pull&Bear	982	978	986	979
Massimo Dutti	769	772	781	780
Bershka	1,096	1,098	1,102	1,098
Stradivarius	1,015	1,015	1,024	1,017
Oysho	646	655	672	670
Zara Home	563	569	587	590
Uterqüe	82	83	86	90
Total	7,385	7,405	7,504	7,475

Company-managed stores and franchised stores at FYE:

Concept	Co. Managed	Franchised	Total
Zara	1,873	245	2,118
Zara Kids	133	0	133
Pull&Bear	824	155	979
Massimo Dutti	666	114	780
Bershka	926	172	1,098
Stradivarius	820	197	1,017
Oysho	588	82	670
Zara Home	516	74	590
Uterqüe	74	16	90
Total	6,420	1,055	7,475

Sales in company-managed and franchised stores:

Concept	Company Managed	Franchised
Zara	88%	12%
Pull&Bear	84%	16%
Massimo Dutti	84%	16%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	87%	13%
Zara Home	86%	14%
Uterqüe	85%	15%
Total	86%	14%

A list of the stores' locations by concepts and by market at FYE is included in Annex II.

Net sales by concept are shown in the table below:

Million Euros	2017	2016	17/16
Zara	16,620	15,394	8%
Pull&Bear	1,747	1,566	12%
Massimo Dutti	1,765	1,630	8%
Bershka	2,227	2,012	11%
Stradivarius	1,480	1,343	10%
Oysho	570	509	12%
Zara Home	830	774	7%
Uterqüe	97	83	17%
Total	25,336	23,311	9%

The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

Area	2017	2016
Europe ex-Spain	44.9%	43.9%
Asia & RoW	23.2%	23.9%
Spain	16.3%	16.9%
Americas	15.6%	15.3%
Total	100.0%	100.0%

Inditex has continued to expand its global, fully integrated store and online model. Global online sales were launched in the year for Zara in Singapore, Malaysia, Thailand, Vietnam and India. Annex III includes information regarding the markets and concepts with online sales.

Gross profit rose to €14.3 billion, 7% higher than the previous year (+10% in local currencies). The Gross margin has reached 56.3% of sales (57.0% in FY2016), in local currencies the gross margin was 56.8%.

Operating expenses have been tightly managed over the year and have grown by 9%, mainly as a result of the growth in sales and new retail space added.

Million Euros	2017	2016
Personnel expenses	3,961	3,643
Rental expenses	2,358	2,221
Other operating expenses	2,625	2,312
Total	8,944	8,176

At FYE 2017 the number of employees was 171,839 (162,450 at FYE 2016).

EBITDA rose to €5.3 billion, 4% higher than a year earlier (+8% in local currencies). EBIT rose to €4.3 billion, 7% higher (+12% in local currencies).

The breakdown of EBIT by concept is shown below:

	EBIT by concept (€m)		EBIT/ventas	ROCE
Format	2017	2016	2017	2017
Zara	3,024	2,764	18%	30%
Pull&Bear	264	231	15%	43%
Massimo Dutti	260	280	15%	37%
Bershka	353	333	16%	57%
Stradivarius	225	236	15%	45%
Oysho	87	79	15%	44%
Zara Home	97	94	12%	24%
Uterqüe	5	4	5%	11%
Total EBIT	4,314	4,021	17%	33%

In 2017, Inditex sold 15 premises (13 in Spain, 2 in Portugal). The results of this are included in divestment of tangible assets. Absorption costs associated with 2018 have been provisioned for in fiscal 2017 and are included in net impairments. The breakdown is in the table below:

€ million	FY17	17/16
Depreciation	(1,108)	
Impairment (Net)	(114)	
Divestment of tangible assets	257	
Other	2	
Depreciation & Amortisation	(963)	(9%)

The following chart shows the breakdown of financial results:

Million Euros	2017	2016
Net financial income (losses)	16	14
Foreign exchange gains (losses)	(21)	(4)
Total	(5)	10

Results from companies consolidated by the equity method came to €42 million.

Net income came to €3.4 billion, 7% higher than the previous year.

Return on Equity (ROE), defined as net income on average shareholder's equity:

Million Euros	2017	2016
Net income	3,368	3,157
Shareholders equity - previous year	12,713	11,410
Shareholders equity - current year	13,497	12,713
Average equity	13,105	12,062
Return on Equity	26%	26%

Return on Capital Employed (ROCE), defined as EBIT on average capital employed (shareholder's equity plus net financial debt):

Million Euros	2017	2016
EBIT	4,314	4,021
Average capital employed		
Average shareholders' equity	13,105	12,062
Average net financial debt (*)	0	0
Total average capital employed	**13,105**	**12,062**
Return on Capital employed	33%	33%

(*) Zero when net cash

Return on Capital Employed by concept:

Concept	2017	2016
Zara	30%	30%
Pull&Bear	43%	39%
Massimo Dutti	37%	42%
Bershka	57%	58%
Stradivarius	45%	51%
Oysho	44%	47%
Zara Home	24%	25%
Uterqüe	11%	11%
Total	33%	33%

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex I showing the 2017 results by quarter.

Issues relating to sustainability and employees

See Annex IV "Non-financial information and information on diversity".

Liquidity and capital resources

Inditex continued to show a strong financial position in 2017.

Million Euros	31 January 2018	31 January 2017
Cash & cash equivalents	4,931	4,116
Short term investments	1,472	2,037
Current financial debt	(12)	(62)
Non current financial debt	(4)	(0)
Net financial cash (debt)	6,387	6,090

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

Million Euros	31 January 2018	31 January 2017
Inventories	2,685	2,549
Receivables	778	861
Payables	(5,057)	(5,325)
Operating working capital	(1,594)	(1,915)

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

Funds from operations before corporate income tax came to €5.4 billion in FY2017, 5% higher. The higher corporate income tax payment in the year is mainly due to a change in the calendar of tax payments. Funds from operations came to €4.4 billion.

Ordinary capital expenditure for FY2017 amounted to €1.5 billion, 8% higher than the prior year. Extraordinary capex came to €256 million.

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2018.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 19 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

As detailed in Note 24 to the consolidated annual accounts, the most significant contractual obligations related to future minimum payments under non-cancellable operating leases.

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2018, the amount of which is included in the figure for capital expenditure detailed under “Information on the outlook for the group”.

Main risks and uncertainties

In order to facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organization as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the fulfilment of the business objectives".

The risks reviewed are classified and grouped in the following categories:

1. Business environment

Risks arising from external factors relating to the Group's business activities.

This category includes risks relating to difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. These risks are inherent to the fashion retailing business and consist of the Group's potential inability to continue operating and react to changes in its target market or to adapt to new situations in the countries from which it obtains its supplies or in which it performs retail activities.

In this regard, geo-political, demographic and socio-economic changes in countries, in which procurements or retail sales are made or a downturn in demand in certain markets, and which trigger country risk, constitute inter alia, factors that might have an adverse effect on the optimum achievement of the Group's business objectives.

Furthermore, the strong competitiveness of the industry, driven by new technologies and disruptive innovations, could condition the Group's ability to compete in an environment where the consumer profile is constantly evolving.

2. Legislative and regulatory

These are the risks to which the Group is exposed as a result of the legislation in force in the countries in which it carries out its business activities.

The risks included in this category include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk, regardless of whether or not they determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

General Counsel´s Office - Compliance Office supervises and manages the Inditex Group's regulatory compliance system in order to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor the corporate best practices.

3. Reputation

These are risks which have a direct influence on the perception of the Group held by its stakeholders (customers, employees, shareholders and suppliers) and society in general.

They arise from the possibility of the inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach that might have an impact on the Organization's reputation.

4. Human resources

The main risks relating to human resources are those arising from potential dependence on key employees and maintaining an adequate working environment in all the work centres.

5. Operational

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing and taking on board the ongoing changes in fashion trends, and in manufacturing, buying and putting on the market new items that meet customer expectations.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events not within the Group's control (natural disasters, fires, transport or key supplier strikes, interruptions in energy and fuel supplies, withholding of goods in freight, etc.), which could have a significant effect on the normal functioning of the Group's operations.

In view of the Group's operating structure, the main operational risks are concentrated at logistics centres and at third party operators transporting goods. The clothing, footwear, accessories and household products of all the concepts are distributed from 14 logistics centres located throughout Spain. Logistics distribution is complemented by other smaller logistics centres located in other countries and with third party logistics operators which carry out small scale distribution operations.

Other risks included under this category would be those associated with property management, particularly in relation to the search for and selection of commercial premises and the profitability thereon.

6. Financial

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes, inter alia, foreign currency exchange risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various markets.

The euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in the euro, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit or debit card. In any event, the Group is exposed to the risk that the counterparties (mainly financial ones) fail to comply the obligations resulting from the invest the company's cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

7. Information for decision-making

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Planning Management and Control and the Administration departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

8. Technology and information systems

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyberattacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

9. Corporate governance

This category includes the risk relating to the possibility of an inappropriate in the Group's management leading to the failure to comply with corporate governance and transparency regulations.

Risk management at the Group is a process promoted by the Board of Directors and senior management and is the responsibility of all members of the organization, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, furnishing shareholders, other stakeholders and the market in general with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Risk Management and Control Policy establishes the basic principles, key risk factors and the general action guidelines for managing and controlling the risks that affect the Group. This Policy is enforce on to the entire Group and forms the basis for an Integral Risk Management System.

The Risk Management and Control Policy is implemented and complemented by specific policies and internal regulations relating to certain units or areas of the Group. The policies and internal regulations developed and implemented by these areas for the management of the different types of risk include most notably:

- Investment Policy.
- External Financing Policy.
- Payment Management Policy.
- Financial Risk Management Policy.
- Code of Conduct and of Responsible Practices.
- Criminal Risk Prevention Policy.
- Criminal Risk Prevention Procedure.
- The Internal regulations of conduct regarding transaction in securities.
- Corporate Social Responsibility Policy.
- Code of Conduct of Manufacturer and Supplier.
- Health and Safety Policy.
- Environmental Sustainability Policy.
- Information Security Policy.
- Purchasing and Contracting Policy.
- Policy on communication and contact with Shareholders, Institutional Investors and Proxy Advisers Communication and Relations.
- Policy and Procedure for representatives and attorneys.
- Policy on Human Rights.
- Compliance Policy.
- Tax Policy and tax strategy.

- Procedure to Engage Auditors for the Provision of Non-Audit Services.

For more details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2017.

Significant events after the reporting period

No significant events have occurred since the reporting date.

Information on the outlook for the Group

Store & Online sales in local currencies have increased by 9% from 1 February to 11 March 2018. The Spring/Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

In FY2018 Inditex estimates space growth in prime locations of around 6% net of absorptions. In the year, Inditex expects 350-400 gross openings and the selective absorption of c. 200.

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

Ordinary capital expenditure in FY2018 will be approximately €1.5 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.

Inditex sees strong growth opportunities and continues to expand its global, fully integrated store and online sales platform.

R&D+I activities

The Inditex Group generally does not carry out research and development projects, which are defined as projects, other than those involving the design of garments, accessories, household products or certain logistical activities, in which amounts are invested over several years to develop assets on which a return is expected over multi-year periods.

Since its inception, the Group has been run with the help of the technology available in all areas of activity in order to improve manufacturing and distribution processes, and by developing in-house or third-party tools to facilitate the management of the business. Some examples of this are point-of-sale terminals, inventory management systems, distribution centre delivery systems, systems for communications with stores and in-store garment labelling systems.

Acquisition and sale of treasury shares

Annual General Shareholders´ Meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan aimed at management and other employees of the Inditex Group (see Note 27 to the

2016 consolidated annual accounts) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Additionally, the Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("the 2016-2020 Plan") (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 31 January 2017, the Parent owned a total of 3,610,755 treasury shares, representing 0.116% of the share capital.

Also, in order for the Parent to have the shares required for delivery to the beneficiaries of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan, the Parent acquired shares until it reached a total of 4,004,029 representing 0.13% of the share capital.

In 2017 settlement of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned second cycle of the Plan. At 31 January 2018, the Parent owned 2,950,143 treasury shares, representing 0.095% of the share capital.

Other salient information

Stock market information

The Inditex share price closed 2017 at EUR 28.87 per share on 31 January 2018. The average daily trading volume was approximately 5.3 million shares. In the same period, the Dow Jones Stoxx 600 Retail showed a slight change of 0.2%, while the Ibex 35 registered an increase in value of 12%.

Inditex's market capitalization stood at EUR 89.9 billion at the end of the period, up 882% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 9% increase in the Ibex 35 index in the same period.

The dividend for 2016 totalling EUR 0.68 per issued share was paid in May and November 2017.

Dividend policy

The Group's policy consists of the payment of dividends equivalent to 50% of the net profit generated in the year as an ordinary dividend and the possibility of a bonus dividend.

Inditex’s Board of Directors will propose at the Annual General Shareholders´ Meeting a dividend of EUR 0.75 per share, representing an increase of 10.3% in relation to dividend approved in 2016, composed of an ordinary dividend of €0.54 per share and a bonus dividend of €0.21 per share. Of said amount, EUR 0.375 would be payable on 2 May 2018 as an interim ordinary dividend and EUR 0.375 would be payable on 2 November 2018 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2017 reached €2.1 billion.

Other disclosures

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2017 that substantially affected its financial position or results.

The following table shows the information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual Corporate Governance Report

The Annual Corporate Governance Report for 2017 is available at www.inditex.com and will be published in the section on Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 14 March 2018.

Non-financial information and information on diversity

The non-financial information and information on diversity of the Inditex group is attached as Annex IV to this document.

Alternative performance measures

The gross profit, EBITDA, EBIT, ROCE and ROE are defined in the initial note to the consolidated annual accounts for 2017.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward-looking statements in the event that any unforeseen changes or events arise which might affect them.

Annex I

Income statement: FY2017 quarterly results:

	Q1	Q2	Q3	Q4
Net sales	5,569	6,102	6,291	7,373
Cost of sales	(2,329)	(2,760)	(2,554)	(3,432)
Gross profit	**3,240**	**3,342**	**3,737**	**3,941**
	58.2%	54.8%	59.4%	53.5%
Operating expenses	(2,126)	(2,148)	(2,202)	(2,468)
Other net operating income (losses)	(1)	(15)	(7)	(15)
Operating cash flow (EBITDA)	**1,113**	**1,179**	**1,527**	**1,458**
	20.0%	19.3%	24.3%	19.8%
Amortization and depreciation	(279)	(269)	(278)	(137)
Operating income (EBIT)	**834**	**910**	**1,249**	**1,321**
	15.0%	14.9%	19.9%	17.9%
Financial results	(2)	0	1	(4)
Results from companies consolidated by equity method	11	9	11	11
Income before taxes	**844**	**919**	**1,261**	**1,327**
Taxes	(190)	(207)	(284)	(299)
Net income	654	712	977	1,029
	11.8%	11.7%	15.5%	13.9%
Minorities	1	(0)	3	2
Net income attributable to the controlling company	**654**	**712**	**975**	**1,027**
	11.7%	11.7%	15.5%	13.9%

Annex II

Detail of stores by concept and market as at 31 January 2018

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1		1	1	1	1				5
GERMANY	78		12	18	12			16		136
ANDORRA	1		1	1	1	1	1	1	1	8
SAUDI ARABIA	39		17	15	32	47	20	8	5	183
ALGERIA	1				2	2	1	1		7
ARGENTINA	10									10
ARMENIA	2		2	2	2	2	1	1		12
ARUBA	1									1
AUSTRALIA	19							3		22
AUSTRIA	13		4	3	8			5		33
AZERBAIJAN	3		2	3	3	2	1			14
BAHREIN	2		2	2	1	1	1	1		10
BELGIUM	31		9	23	12		3	8		86
BELARUS	1		1	1	1	1	1	1		7
BOSNIA	3		3	1	3	3				13
BRAZIL	56							15		71
BULGARIA	6		5	5	7	5	5			33
CANADA	32			8				2		42
CHILE	9							3		12
CHINA	183		71	83	72	63	81	40		593
HONG KONG SAR	14		6	4	6	2	2	2		36
MACAO SAR	2		1	2	1	1	1	1		9
TAIWAN	9		3	5	2			2		21
CYPRUS	6		5	4	6	6	4	4		35
COLOMBIA	14		9	5	13	12	4	4		61
SOUTH KOREA	42		4	9	4	1	3	4		67
COSTA RICA	2		2	1	2	2	1	1		11
CROATIA	10		6	4	9	6	3	2		40
DENMARK	4							1		5
ECUADOR	2		2	1	2	2	1			10
EGYPT	6		6	5	6	5	4	4		36
EL SALVADOR	2		2		2	2				8
UAE	11		8	9	9	6	8	8	2	61
SLOVAKIA	3		3	1	5	4				16
SLOVENIA	5		2	1	4	4				16
SPAIN	306	111	218	196	208	287	182	146	34	1,688
UNITED STATES	87			3	1					91
ESTONIA	3		1	2	1	1		1		9
PHILIPPINES	8		2	2	4	4				20
FINLAND	5			1						6
FRANCE	127		40	22	49	24	13	23		298
GEORGIA	3		1	3	2	2	1			12
GREECE	40	6	24	13	30	20	19	10		162
GUATEMALA	3		3	1	3	3	2	1		16
NETHERLANDS	29		10	7	18	5		8		77
HONDURAS	2		2	1	2	2	1	1		11
HUNGARY	8		7	3	10	7	2	2		39
INDIA	20			3						23
INDONESIA	17		14	5	9	15	4	3		67
IRELAND	9		3	2	6	3				23
ICELAND	1									1
ISRAEL	24		27	3	15	6		1		76
ITALY	104		57	9	66	81	44	35		396
JAPAN	98				25	10		17		150
JORDAN	3		2	3	2	5	2	2	1	20
KAZAKHSTAN	5		5	4	6	6	5	4	1	36
KUWAIT	5		2	2	3	2	3	3	2	22
LATVIA	4		3	2	3	1				13
LEBANON	7		5	6	9	7	5	5	1	45
LITHUANIA	5		4	5	4	4		2		24
LUXEMBOURG	3		1	1						5
MACEDONIA	1		1	1	1	1				5
MALAYSIA	10		3	5	2					20
MALTA	1		3	1	2	1	1	2		11
MOROCCO	5		2	3	3	7	3	4	1	28
MEXICO	83		66	38	71	44	51	25	14	392
MONACO	1									1
MONTENEGRO	1		1		1	1	1			5
NICARAGUA	1		1		1	1				4
NORWAY	5			1						6
NEW ZEALAND	1									1
OMAN	1				1	1	1	1		5
PANAMA	3		2	1	2	2	2	1		13
PARAGUAY	1							1		2
PERU	4							3		7
POLAND	46		34	28	49	63	20	13	3	256
PORTUGAL	70	16	51	42	49	44	36	28	6	342
PUERTO RICO	3									3
QATAR	5		4	4	4	3	4	5	3	32
UNITED KINGDOM	65		8	14	5	4		12		108
CZECH REPUBLIC	6		4	2	4	5	1	1		23
DOMINICAN REPUBLIC	3		1	2	2	2	2	2		14
ROMANIA	24		24	11	27	24	9	6	1	126
RUSSIA	98		88	53	98	84	68	46	14	549
SERBIA	5		3	2	3	3	2	1		19
SINGAPORE	9		3	5	3	1				21
SOUTH AFRICA	9							1		10
SWEDEN	11		1	4			1	4		21
SWITZERLAND	20		3	8	6		1	4		42
THAILAND	11	0	3	4	1	1	0	2	0	22
TUNISIA	3	0	2	1	3	2	2	1	0	14
TURKEY	42	0	33	27	35	34	29	23	0	223
UKRAINE	9	0	12	6	12	12	7	0	1	59
URUGUAY	2	0	0	0	0	0	0	2	0	4
VENEZUELA	8	0	5	0	9	0	0	0	0	22
VIETNAM	2	0	1	1	0	1	0	0	0	5
INDITEX	2,118	133	979	780	1,098	1,017	670	590	90	7,475

Annex III

Markets and concepts with online sales:

Global online sales platform	
(to 31st January 2018; in bold, online stores launched in the year 2017)	
Australia *	Zara
Austria	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Belgium	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Bulgaria	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Canada	Zara, Massimo Dutti, Zara Home
China	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho
Hong Kong S.A.R.	Zara
Macao S.A.R.	Zara
Taiwan	Zara
Croatia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Czech Republic	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Denmark	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Estonia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Finland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
France	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Germany	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Greece	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Hungary	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
India	**Zara**
Ireland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Italy	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Japan	Zara, **Bershka**, Zara Home
Latvia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Lithuania	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Luxembourg	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Malaysia	**Zara**
Malta	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Mexico	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home
Monaco	Zara, Pull&Bear, Masimo Dutti, Zara Home, Uterqüe
Netherlands	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
New Zealand *	Zara
Norway	Zara, Massimo Dutti, Zara Home
Poland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Portugal	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Romania	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Russia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Singapore	**Zara**
Slovakia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Slovenia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
South Korea	Zara, Massimo Dutti, **Bershka**, **Oysho**
Spain	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Sweden	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Switzerland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Thailand	**Zara**
Turkey	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home
United Arab Emirates	Zara Home
United Kingdom	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
United States	Zara, Massimo Dutti, **Bershka,** Zara Home
Vietnam	**Zara**

* Online stores opened on 14 March 2018

Annex IV

NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY

INDITEX GROUP

TABLE OF CONTENTS

Note: all the amounts included in this Annex IV are expressed in euro.

I. Inditex: Integrated and Sustainable Business Model

Inditex (hereinafter, the "Group", the "Inditex Group" or the "Company") is a global fashion retailer present in 5 continents, in the North and South hemispheres.

Its main business consists of offering the latest fashion trends (apparel, footwear, accessories and home textiles), at affordable prices, at the right time and with high standards of quality and sustainability.

Inditex offers a customer centered creative fashion proposal through its fully integrated physical stores and online business.

The company conducts its business through different commercial formats: Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each of them is operated based upon a directly managed model of physical stores and online business, except in certain countries where, for different reasons, business is carried out through franchises.

In order to be able to offer the latest fashion trends at the right time and with the required quality, Inditex has implemented a flexible and integrated business model, mainly focused on the customers and with a strong sustainable approach.

A swift life cycle of the products, from design to sale, would not be possible without the integration and flexibility which are present in all the stages of the value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

Design and buyers' teams are customer oriented. Inditex listens to its customers and conveys their demands gathered at the stores and online (first directly, then through automated IT systems to end with digital information) to its buyers' teams and uses them to react quickly, producing the desired items, in short periods of time, to put them up for sale in the shortest delays.

Manufacturing and procurement have been designed pursuant to a mixed model, which allows adapting production to market demands. During financial year 2017, 57% of the factories used by the Company for production of its goods are in proximity, (in countries such as Spain, Portugal, Morocco and Turkey) and the remaining 43% is long-distance production. This is how capacity is achieved to adapt the Company's production or that of its suppliers to the changes in trend during each campaign.

The logistics and distribution system allows continued shipments to physical and online stores from the logistics center of each format throughout each campaign. Such system operates mainly with centralised logistics centers for each format, where inventory is located and from which goods are distributed to physical and online stores worldwide.

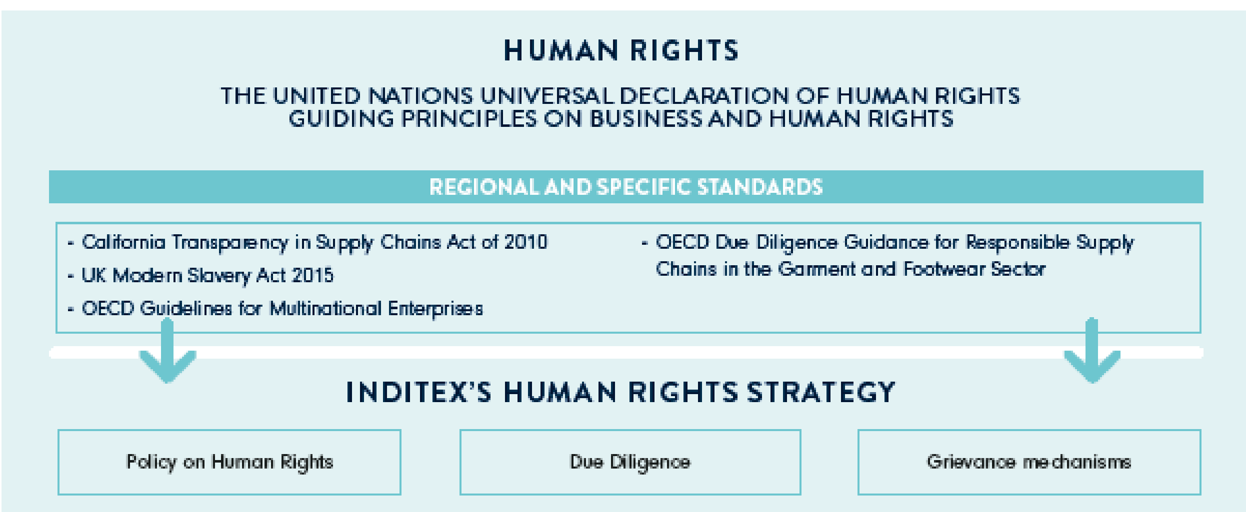
The people who make up the Company allow a sustained and sustainable development of this model, a diverse human group, made up of 97 nationalities, defined by its creative talent, passion for fashion, for teamwork, entrepreneurial spirit, permanent innovation and responsible effort.

The Group seeks to offer fashion goods which conform to the most exacting sustainability and health and safety standards. All the foregoing based upon respect and promotion of human rights, transparency and permanent dialogue with the stakeholders.

Human Rights Strategy of the Inditex Group

Inditex is committed to protecting Human Rights in the conduct of its business and in respect of the impact such business may have on its stakeholders. Likewise, the sustainable strategy implemented by the Group has enabled it to establish a strong commitment to the United Nations Sustainable Development Goals, which Inditex fully endorses, and which have set its course regarding sustainability, allowing it to progress year by year in respect of contributions to each of such Goals. For such reason, Inditex's strategy in the area of Human Rights has a direct impact on the decision making process of the Company and on creation of value

In this respect, this Human Rights strategy:
- is part of the business model;
- is implemented through continuous improvement;
- fosters and systematizes open dialogue spaces;
- integrates training and involvement at every level of the Company; and
- its implementation is duly assessed by means of quantifiable indicators.



Inditex's strategy in the field of Human Rights relies on three main pillars: the Policy, due diligence and grievance mechanisms.

a) Policy on Human Rights

The Inditex Group's Policy on Human Rights (hereinafter, the "Policy on Human Rights") was approved by the Board of Directors on 12 December 2016, following a favourable report of the Audit and Control Committee and of the Social Advisory Board.

In the framework of the United Nations Guiding Principles on Business and Human Rights, the Policy on Human Rights defines Inditex's stance regarding its commitment to respect internationally acknowledged Human Rights and sets out the values and principles which will guide its proceedings. Notwithstanding its commitment to all Human Rights, Inditex has identified those directly related to its value chain, based upon the review of its business model and of the expectations of its stakeholders.

The Policy on Human Rights, which applies to the Group, is binding for the entire staff. The enforcement of this Policy, in full or in part, may extend to any person, whether natural and/or legal, associated with Inditex, where this may be appropriate to meet its purpose, and practicable on account of the nature of the relationship. This Policy on Human Rights has been disclosed to all the areas and is available on the Company's intranet and on the corporate website. The performance of this Policy entails due diligence processes which allow to regularly identify the current and potential impacts on Human Rights. As an answer to this review, appropriate measures are taken to prevent and reduce any potential negative consequences, fostering positive impacts throughout the entire value chain.

b) Due diligence

The second main driving force behind the Human Rights strategy is due diligence. This is a process to identify such Human Rights associated with each area throughout the value chain to subsequently integrate the findings into the processes of the Company. The involvement of all areas of the Company as well as of all external stakeholders is essential. As a result of this, Inditex carries out a review and update of its due diligence processes, using best practices identified both at Company's level and externally, to prepare a global due diligence model.

c) Grievance mechanisms

The third and final pillar of the strategy on Human Rights are grievance mechanisms. They reinforce due diligence process by helping identify and resolve at the same time potential negative impacts on Human Rights, while promoting the relations with the stakeholders. The main grievance mechanism on which the Group relies is the Whistle Blowing Channel, managed by the Committee of Ethics and available to all the employees and to such third parties with a lawful interest.

Further detail on the Committee of Ethics and the Whistle Blowing Channel is provided in section III.7 below, which addresses corruption and bribery issues.

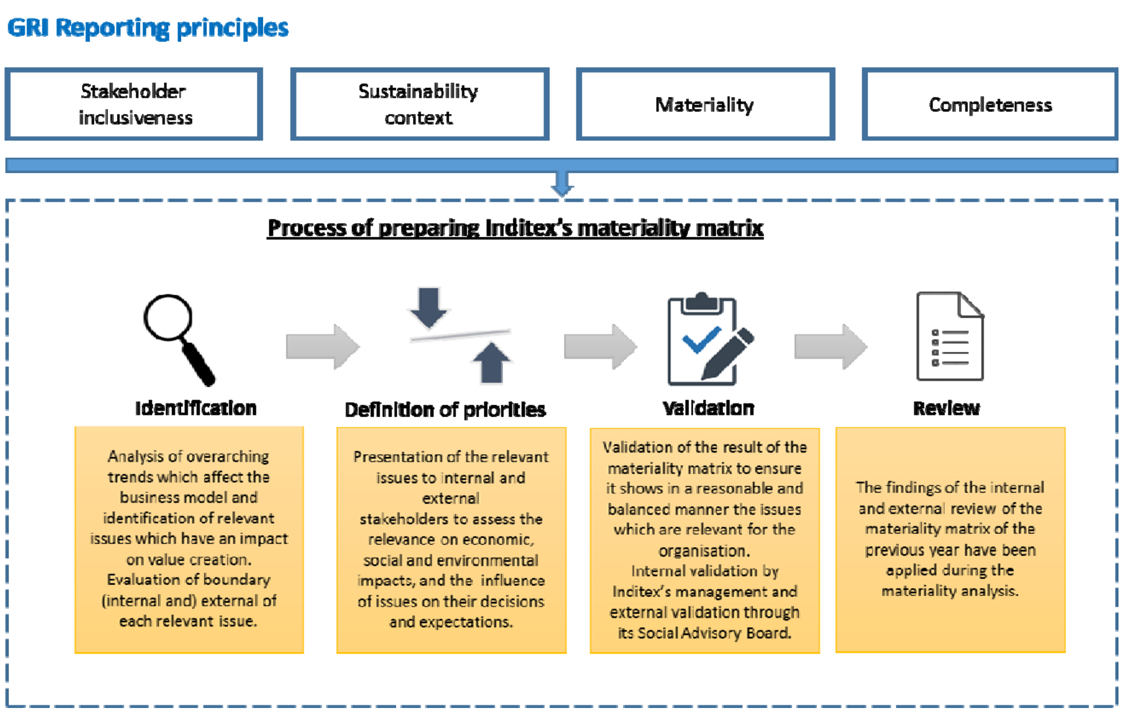
The Inditex Group's strategy on Human Rights is further developed in the following sections.

II. Materiality

Inditex sets a number of priorities based upon its business model, which allow it to make progress in the creation of value, whether economic, social and environmental, ensuring that the requirements of its stakeholders are met, while at the same time its business is conducted and value is created.

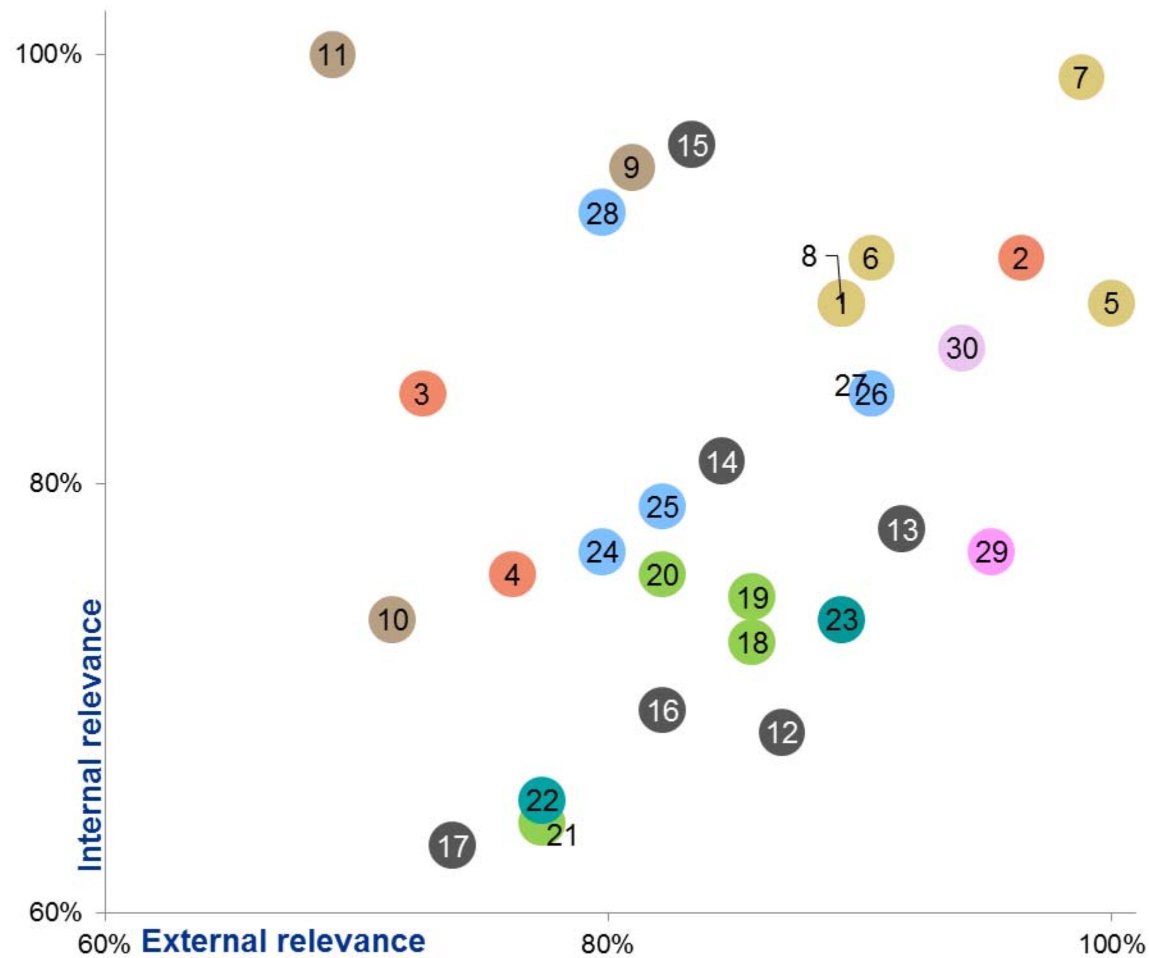
One of the most relevant tools to establish such priorities is the materiality analysis which allows getting to know the issues and business on which the stakeholders focus and which are, at the same time, relevant for the Company from a strategic point of view. All in all, Inditex' priorities are set through the materiality analysis, to ensure that its sustainable strategy is in line with the expectations of the stakeholders.

To carry out the process to identify priority issues and questions, as well as their scope, the recommendations of the "Global Reporting Initiative· (hereinafter, "GRI") standards and the Integrated Report framework have been followed. In fact, materiality is one of GRI's Reporting Principles. According to this principle, the organisation must cover and subsequently report on such issues which show the significant economic, environmental and social effects of the organisation or which have a substantial impact on the evaluations and decisions of the stakeholders.



Relevant representatives of the different stakeholders which are important to Inditex, have taken part in the drafting of the materiality scoping matrix for FY2017. Additionally, the Social Advisory Board advises the Group on sustainability issues. The Social Advisory Board is made up of external independent members whose active involvement in the preparation of the materiality matrix is essential.

Thus, the result of the process carried out in 2017 is a materiality matrix which covers 30 relevant issues and questions revolving around the implementation of Inditex's sustainable strategy and which are, in turn, grouped based upon priorities.



1	Diversity and Integration
2	Labour practices
3	Attracting and retaining talent
4	Developing human capital
5	Responsible purchasing practices
6	Health and safety at suppliers and manufacturers
7	Respect for human rights in the supply chain
8	Transparency and traceability of the supply chain
9	Commitment to customers
10	Purchasing habits
11	Integraton of sales channels
12	Protecting biodversity
13	Sustainable product
14	Management of chemicals and sustainable manufacturing processes
15	Quality, health and safety of the product
16	Information and labeling of products
17	Circularity
18	Animal welfare
19	Energy and climate change
20	Use of water
21	Packaging
22	Investment in the community
23	Relationship with the stakeholders
24	Corporate governance
25	Management and risk control systems
26	Regulatory compliance and responsible practices
27	Corruption and bribery
28	Cybersecurity and data protection
29	Social and economic impact on the society
30	Tax transparency and tax contribution

Inditex priorities

- People
- Sustainable management of the supply chain
- Our customers
- Commitment to the excellence of our products
- Recycling and efficient use of resources
- Improving community welfare
- Corporate Governance
- Social and economic impact of the business

III. Priorities

III.1 Our People

One of the strategic pillars of the evolution of Inditex's business model are its employees. At 2017 year-end, Inditex's workforce stood at 171,839, its employees being of different profile, culture, origin and experience, of 87 different nationalities, and speaking 54 different languages.

Diversity and inclusion

Inditex is aware that creating and promoting a diverse and inclusive working environment is an essential contribution to the achievement of its corporate goals and to a better business performance. For such reason, the Board of Directors approved in December 2017 the Global Diversity and Inclusion Policy, which provides the framework that promotes the values of diversity, multiculturalism, acceptance and integration.

Endorsed and driven by the Company's senior executives the Global Diversity and Inclusion Policy reinforces Inditex's commitment to creating work environments in which all employees have a responsibility to treat with respect and dignity their coworkers, as well as any candidates, suppliers and customers. Inditex maintains a zero tolerance policy against any kind of discrimination, promoting equal opportunities in all the areas of the Company.

The Global Diversity and Inclusion Policy applies to all human resources proceedings of the Company, such as recruitment and selection, retention, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other disciplinary actions, and all other terms and conditions of employment.

The notions of diversity and inclusion encompass some of Inditex's essential values. In fact, such Policy stems from the Code of Conduct and Responsible Practices of the Company, whose pillars include, without limitation, respect, acceptance and equal treatment, and is also in line with the Compliance Policy and the Policy on Human Rights.

Additionally, Inditex relies on a Committee of Ethics and a Whistle Blowing Channel to ensure compliance with the Diversity and Inclusion Policy and to receive and address all the comments, doubts or complaints made in good faith, regarding the construction, application or enforcement of such Policy (for further detail on the Committee of Ethics and the Whistle Blowing Channel, see section III.7 below, on corruption and bribery).

Meanwhile, with regard to gender diversity, one of the most relevant features of Inditex's staff is the presence of a majority of female employees. Thus, 75% of its entire staff is made up of women, versus 25% of men. This ratio has been increasingly balancing since 2010.

Namely, regarding the different areas of activity of the Company, this ratio also reflects the power of female employment, except at logistics centers, where the proportion is reversed: 58% of male employees versus 42% females. At stores, female employees stand at 78% versus 22% of men. At headquarters, women represent 60% of the workforce, versus 40% of men.

Another specific feature that defines Inditex workforce is the generation diversity. In the last 10 years, the number of employees has duplicated, which has allowed the coexistence of different generations of workers, with a higher weight of younger groups: in 2017, 62% of the employees are aged 30 or less.

Inditex is especially committed to promoting gender equality. In this respect, it implements policies that encourage flexible and part-time work, as well as the work-life balance of employees with special needs. The Equality Monitoring Committee is charged with reviewing the effectiveness of such measures.

The restatement rate following a maternity or paternity leave is indicative of such task and of the effectiveness of the subsequent measures for work-life balance. An aggregate number of 2,587 employees in Spain had been on maternity or paternity leave in FY2017. 99.3% of them were reinstated in their job following that period, a high ratio, similar for both men and women and for temps and permanent employees.

In 2017, a number of awareness-raising and training on equality issues proceedings, were carried out. Use of new tools which facilitate disclosure and access to information, have allowed circulating to the employees the Gender Equality Plans of the different formats of Inditex, available to them through the different communication channels of the Group.

In 2017, new steps were taken for such purposes with the approval of the Gender Equality Plan at the logistics center of Cabanillas del Campo and the second Gender Equality Plan of Massimo Dutti, as well as the commencement of negotiations to renew the Gender Equality Plans of Zara, Bershka, Pull&Bear, Oysho, Stradivarius and the León and Meco logistics centers.

Likewise, all the Gender Equality Plans signed include protocols to prevent sexual harassment and harassment based on gender. Different initiatives and protocols in this field are also being implemented in the remaining countries where Inditex operates.

Meanwhile, Inditex ratified in 2006 the EQUAL Community Initiative, which is co-financed by the European Commission together with the Spanish Coordinator of the European Women's Lobby and the Carolina Foundation. Awareness-raising regarding equality is present from inception, beginning with the welcoming training and for the entire duration of the employment relationship. To such end, the Company carries out special proceedings to mark significant dates, such as, the International Day for the Elimination of Violence Against Women (25th November).

In February 2016, Inditex joined Open for Business, a coalition of global companies that advocates for the inclusion and rights of the LGBT community.

Talent management: talent attraction

One of the main pillars regarding staff issues at Inditex revolves around career development and growth. The policies and strategies to attract, develop and commit talent are at the basis of a motivating environment in which to continue growing.

With regard to recruitment, the core element is *Inditex Careers*, Inditex's employer brand. All eight Inditex commercial formats resort to *Inditex Careers* for recruitment purposes in every country.

Relying on a single recruitment brand which encompasses all the job offers help promote the image of employer branding, with a wider job offer. The brand is present in all recruitment material, both physical and digital.

Throughout financial 2017, *Inditex Careers* (available in 23 languages) has had upwards of 6,300,000 visits worldwide and more than 700,000 candidates have registered in all the markets and commercial formats.

Inditex Careers social profiles have been consolidated in 2017 as the main source for talent attraction and selection of the Company. Thus the most relevant data of *Inditex Careers* in the social media for such year are shown below:

- 23 countries recruit through social media;
- *Inditex Careers* social profiles have more than 1,000,000 followers;
- Upwards of 39,000 candidates have been recruited through social media;
- More than 80% of messages received through the corporate Facebook profiles have been answered-

Talent Centers play a key role upon hiring store staff. This is a network of recruitment centers which serve as meeting points of potential candidates. Such centers are based in eleven key cities for the Company in terms of commercial presence: Madrid, Barcelona, London, Milan, Paris, New York, Mexico City, Istanbul, Shanghai and Beijing.

Upwards of 700 designers work at the eight commercial formats of the Group. All of them are based at headquarters in Spain.

The strategy for selecting design teams remains essential for the Group and it revolves around two main axis. On the one hand, selecting the best junior talent at the main design schools worldwide and on the other hand, a strong branding strategy is carried out aimed at making Inditex one of the most attractive company for these students.

Talent management: career development

Inditex is committed to internal promotion as the best way of promoting the development of its employees and of the Company. This is particularly relevant at stores, with Zara setting a good example of such internal promotion strategy, as more than half of the jobs related to product are filled by people who already worked for the Group.

Throughout financial year 2017, three main initiatives to detect and promote internal control have been the following programmes: *InTalent, Inditex Go!* and *Lead IN*.

*InTalen*t is a tool that allows direct communication with all the employees, to learn of their interests in order to help them define their next professional steps within Inditex. In 2017, *InTalent* covered 39 countries and upwards of 48,000 employees who registered their data in this tool, specifying their career expectations and interests within Inditex

The *Inditex Go!* project is a way to identify, select and develop promising young talent in Zara at the stores and among new graduates.

Lead IN project was launched in 2017, aimed at reinforcing the role of the Store Manager. It covered an aggregate number of 462 Zara Store Managers in Europe.

Talent management: training

Inditex's culture is mostly practical, which determines that teams' training is essentially the so called on-the-job training. Therefore, Inditex's policy is strongly based on a model of internal training. Inditex identifies and maintains a network of internal trainers that convey the Company's culture and operations, to ensure the success of all new employees.

Likewise, the identification of the different circumstances and requirements of each market where it operates is especially relevant for Inditex. Training and career development teams at subsidiary's level bring the corporate and the formats' projects into line with the reality of each country, by leading the implementation thereof, monitoring them and assessing their effectiveness.

At the stores, training imparted is based upon three main pillars: reinforcing product knowledge, store processes and customer-based initiatives. At any rate, cross-section areas are also included, such as health and safety at work or diversity and inclusion.

Regarding people with responsibilities over teams, Inditex focus their training both on technical issues and on people's management.

Inditex's main training projects area summarised below:

- *ON Academy*: this is an eLearning platform for store employees of all the formats which has been launched in 2017. At year-end, such platform was present in 7 countries (Spain, UK, Ireland, USA, France, Italy and Germany), available to upwards of 66,000 employees.

- *eFASHION*: since its launching in 2012, this tool has allowed training on comprehensive management of the fashion business 848 employees in Spain, UK, France and Italy.

- *busuu:* this is an app for mobiles that allows employees to learn up to 12 languages. During 2017, Inditex has launched *busuu* in 19 countries. More than 50,000 individuals have registered to the tool in its last edition and are improving their language skills, the most learned languages being English and Spanish. Upwards of 3,000 people have obtained at least an official certificate, and near 13,000 individuals have taken the English course at the stores.

- *Versus·*: is a game among employees from different countries and formats (at present, only available for Stradivarius, Bershka and Pull&Bear in Spain, UK, Ireland and Portugal), whereby they compete in an individual ranking and also in a ranking per teams, based upon their knowledge on the product and on the fashion world in general. Since its launching, upwards of 3,200 employees in more than 70% of the stores of the above mentioned formats and countries have taken part in this game at the same time.

- *Advanced Management Programme*: designed in partnership with Instituto de Empresa. This is a development programme involving 60 employees of Inditex, of different profiles (product, formats, countries and headquarters) which seeks to complete their training on management and retail, ensuring their becoming potential leaders in the future.

Talent management: commitment to people

Commitment and collaboration among the individuals who form part of Inditex are key to ensure that the Company is in the right course.

For the purposes of ensuring a fluent communication between the Company and its employees, Inditex has created INet, the intranet for its employees, available in the format of a web page and a mobile application. In addition to allowing managing a large number of everyday operations related to the Company, INet also provides access to the different development and internal promotion programmes. At FY2017 end, some 115,000 employees had downloaded the mobile application in 37 different countries.

Likewise, Inditex also promotes its commitment to its employees through a number of different social initiatives driven by the latter, such as the following projects:

- *Salta!* is implemented in Spain, France, Italy, Greece, Germany, Poland, Portugal, Mexico, Brazil and the US, and its goal consists of providing job opportunities for youngsters who live in a situation of social exclusion, following a theoretical and practical training. In FY2017, an aggregate number of 239 individuals were hired by the Group thanks to this project and 557 employees have been involved in the project as trainers, tutors and mentors in each edition, thus ensuring the appropriate incorporation and adaptation to the job and the Company. Since 2008, when the project was launched, 52% of the candidates remain in the Company.
- *for&from·*: this project seeks to ensure the social and labour integration of disabled peopled, based upon a number of social franchises managed by non-profit organisations and run by disabled people. At present, 13 stores have opened under such programme that has created 151 jobs. In FY2017, the sales of the *for&from* stores have amounted to €9,500,000. The net profit, which fully reverts to social projects of non-profit organisations which support the programme amounted to upwards of €1,000,000 in 2017.
- *Teaming*. Through this project, employees from 9 countries where Inditex operates, donate every month and for 12 months, a certain predetermined sum of money deducted from their payroll. Such sum is allocated to three social projects selected by Inditex. In turn, the Company donates twice the amount contributed by each employee. An aggregate number of 30,265 employees from Spain, Portugal, France, Italy, Germany, Poland, UK, Ireland and Mexico have joined the project in its first edition (from February 2017 to February 2018), and an expected amount of €1,000,000 resulting from the donations of Inditex employees is expected.
- *The Big Idea Project* allows Inditex employees in Spain to endorse social and environmental initiatives, promoted by non-profit organisations, to obtain financial support to carry them out. The last edition of such project took place at the end of 2016, and the projects have been implemented throughout FY2017. Thanks to this project, 43 ideas have been supported in the form of upwards of 4,100 voluntary hours from employees during their working hours with an investment of upwards of €1,000,000 since the first edition, back in 2012.

Pay

The Inditex Group's wage-setting criteria have to fit at the same time the Company's culture and values, and the description of each market and work environment where it operates. Additionally, they have to cover the specific features of each commercial format of the Group.

Inditex's pay policy intends to be consistent with the level of complexity and responsibilities undertaken by the individuals, fit the effort and performance of the employee, and encourage the achievement of better results. For such purposes, Inditex defines the remuneration level based upon local markets practices, on an individual basis and promotes variable pay.

This last element is one of the key points of Inditex's pay policy. Variable pay extends to employees in all areas of activity in the company. From stores to warehouses, central services, buyers departments, etc., variable remuneration systems are in place, brought in line with the goals of each area.

Inditex's main variable pay system is based upon monthly sales commissions. This system is implemented in all the stores worldwide, and it rewards the involvement of store employees in such relevant issues as the opinion on the product, store coordination, store organisation and sales results. Decision-making and initiative is encouraged at all levels, and reward is proportionate to the responsibilities assumed.

Further to the Group's development, Inditex approved in 2015 an extraordinary plan for employees participating in the economic benefits of the Inditex Group for FY2015 and FY2016. Thus, in April 2017, Inditex shared out €42,000,000. The plan distributed 10% of the increase in the net profits, therefore, in 2017 the amount to be distributed was €28,300,000 that the Group increased in an additional €13,700,000, to total the above- referred sum of €42,000,000. This amount was shared out to some 84,000 employees with a continuous length of services in the Inditex Group of at least two years as at 31 March 2017.

Likewise, the Group has announced a new extraordinary plan for employees participating in the economic benefits of the Group for the 2017-2018 period, with a similar description to the previous one.

Occupational Health and Safety

In financial year 2017, a new Policy on Occupational Health and Safety has been issued, and circulated by senior executives at each logistics center, manufacturing center, format and at headquarters.

Such Policy has been developed following the highest standards of OHSAS 18001:2007, an internationally renowned accreditation standard, that sets out the requirements which are necessary for an appropriate management system that facilitates full integration of health and safety of workers and which ensures that an effort is made towards continuous improvement in the entire company, starting from senior executives. The Policy is available on the corporate website and on INet.

With regard to OHSAS 18001:2007 standard, since it was first implemented at Plataforma Europa (logistics center in Zaragoza) in 2011, all logistics companies, factories and chains of stores in Spain have been duly accredited. During financial year 2017, companies in Turkey, Mexico and Greece have achieved certification. As at the date of this report, the number of accredited companies stands at 101 in 8 different countries.

With regard to external OSHAS 18001:2007 safety audits for FY2017, the following have been conducted:

- At own stores: 145;

- At logistics centers: 4;
- At own factories:3; and
- At headquarters: 19.

In the field of occupational health and safety, Inditex has implemented during financial year 2017 certain projects, including: *Health and Safety Olympic Games*, training sessions on road safety and *INHEALTH* (Inditex's portal on health and well-being).

Inditex has being certified again in 2017 as a Healthy Company in Spain. During the year in course, such certificate is expected to be obtained by the company in UK and Ireland.

Finally, with regard to the rate of work-related accidents during financial year 2017, a summary is provided below:

At own stores (Spain):

	Incident Rate[1]	Frequency Rate[2]
Women	22.13	12.29
Men	19.83	11.01

*Related to 87% of the employees

At logistics centers (Spain):

	Incident Rate[1]	Frequency Rate[2]
Women	127.63	70.90
Men	140.29	77.94

*Related to 72% of the employees

At own factories (Spain):

	Incident Rate[1]	Frequency Rate[2]
Women	46.49	25.83
Men	87.12	48.40

At Headquarters (Spain)

	Incident Rate[1]	Frequency Rate[2]
Women	6.40	3.55
Mens	3.00	1.67

* Related to 97% of the employees

Industrial relations

[1] Incident rate of accidents requiring leave = (No. accidents requiring leave *1,000) /Average number of workers)

[2] Frequency rate = (No. accidents requiring leave *1,000,000) / (Hours worked in the selected period* Average number of workers)

Inditex is strongly committed to respecting its employees' labour rights in the entire world, and namely their right to participation as a key element for the sustainable development of the business model.

As evidence to its commitment, Inditex entered in 2009 into a Global Agreement (hereinafter, the "Agreement") with the UNI Global Union Trade Union Federation (hereinafter, "UNI"), which represents workers in different services sectors, including trade and distribution, for the purposes of respecting and promoting fair work and labour rights, At present, some 900 trade unions form part of UNI, and upwards of 20,000,000 workers are represented.

The Agreement between UNI and Inditex includes specific provisions regarding a number of issues governed pursuant to the principles set by the International Labour Organisation (hereinafter, "ILO"):

- Special mention is made therein to the enforcement of ILO Conventions 87, 89 and 98 that focus on ensuring freedom of association and the right to collective bargaining, as in the terms of the Agreement: *"Inditex recognizes the right of trade unions to represent the workers and to collectively bargain the working conditions that affect them"*.
- Likewise, the freedom to join any trade unions and non-discrimination on account of membership in a trade union as part of employment relations is also ensured. Additionally, pursuant to ILO Conventions 100 and 110 and based upon non-discrimination at work, equal opportunities and equal treatment for all people and non-discrimination in terms of remuneration for equal jobs are upheld.
- Inditex is committed to complying with applicable national laws and/or conventions, in furtherance of ILO Conventions 1 and 147 and of ILO Recommendation 116.

The scope of the Agreement includes both Industria de Diseño Textil, S.A. and all its subsidiaries, regardless of the country where their business is conducted. This means that it applies to the Group's entire staff.

In addition to the reference to the protection and promotion of the fundamental rights, Inditex is committed to meeting the requirements laid down in national laws and in national collective agreements regarding working hours, protection of a safe, healthy and sustainable working environment, and promotion of best practices for occupational health and safety with the appropriate equipment and training.

The Agreement covers minimum rights for the employees of the various companies within the Group, as such provisions, whether statutory, contractual or included in a collective agreement which confer higher rights will always be observed.

Likewise, Chapter 3 headed "General Principles" of the Code of Conduct and Responsible Practices, enforced on all the Group employees, addresses respect for union relations and rights, as it provides: "*The employees of Inditex have their right recognised to associate or organise themselves or to bargain collectively"*. Additionally, pursuant to section 4.2 of the Code: *"Inditex makes its own, as part of its internal regulations, the contents of any national and international agreements and conventions to which it has adhered, and undertakes to promote and enforce them"*.

Inditex and the trade unions that represent its employees are engaged in a continuous, open and constructive dialogue, as evidenced by the relevant number of queries and bargaining carried out throughout the year on different issues. Indicative of this constant communication are the periodic meetings and sessions scheduled by Inditex with UNI officials to follow-up on the Agreement.

III.2 Sustainable Management of the Supply Chain

Inditex's commitment and responsibility towards a responsible management of its supply chain requires identifying working areas to contribute to the improvement of working conditions in the sector in each of the countries where the Group operates, creating sustainable production environments and standing for the promotion and respect of Human Rights and the application of ILO's Fundamental Conventions.

To achieve it, Inditex carries out due diligence processes and implements policies aligned with fundamental labour standards. To implement them, a number of tools are established for monitoring and directly cooperating with suppliers, through a multilateral dialogue with authorities and institutions in such areas.

The Code of Conduct for Manufacturers and Suppliers, and the Compliance Programme that ensures its implementation are the cornerstone of Inditex's work regarding management and reinforcement of the supply chain. This work is supplemented by specific programmes covering a wide range of diverse and significant topics such as, without limitation, security at work, wages or women empowerment. These project and lines of work are designed by and for the workers of the supply chain.

Code of Conduct for Manufacturers and Suppliers of the Inditex Group

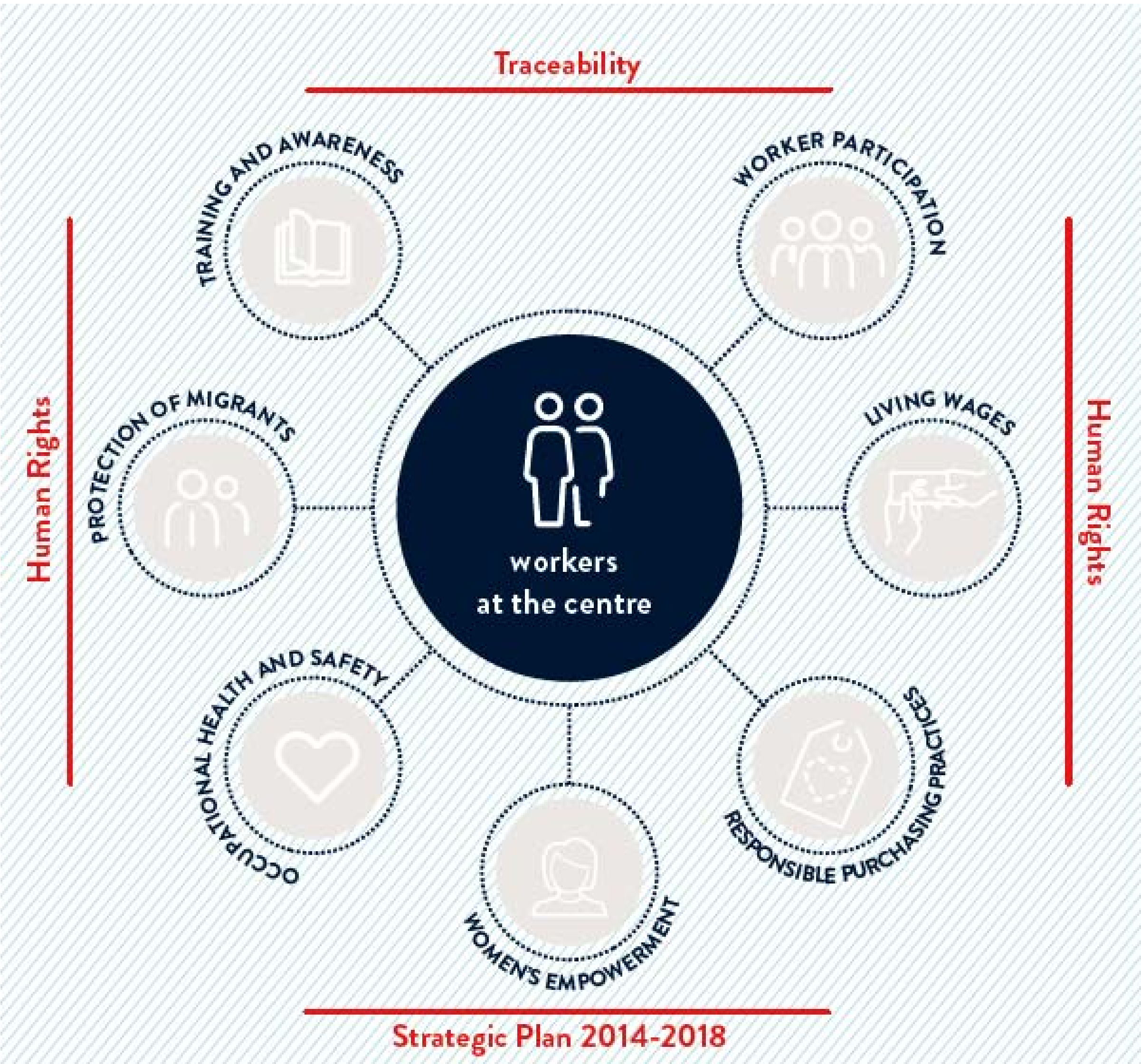
The Code of Conduct for Manufacturers and Suppliers of the Inditex Group (hereinafter also referred to as the "Code") was approved by the Board of Directors in 2001 and amended in 2012. It is binding for all the manufacturers and suppliers involved in purchases, manufacture and product finish processes and it promotes and is based upon those general principles which define the ethical behaviour of Inditex, set out in the Code of Conduct and Responsible Practices of the Group.

The Code defines the minimum standards for an ethical and responsible behavior that must be met by all the manufacturers and suppliers of the Inditex Group. Namely, the Code is inspired by the principles provided by the Organisation for the Economic Cooperation and Development (hereinafter, the "OECD"), the *Base Code* of the *Ethical Trading Initiative*, the principles of the United Nation Global Compact, and, the following ILO Conventions, without limitation: 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

The following topics are covered in the Code:
• No forced labour;
• No child labour;
• No discrimination;
• Respect for freedom of association and collective bargaining;
• No harsh or inhumane treatment;
• Health and safety at work;
• Wages are paid;
• Working hours are not excessive, under the applicable laws or collective agreement
• Regular employment;
• Traceability of production:
• Health and safety of the product;
• Environmental commitment;
• Confidentiality of information;
• Implementation of the Code of Conduct for Manufacturers and Suppliers; and
• Inditex's Committee of Ethics, as a grievance mechanism.

Workers at the center

Social sustainability programmes within the supply chain share a basic premise: they are aimed at workers, who are at the center thereof. In this respect, for Inditex clusters are spaces for cooperation designed to promote a sustainable and productive environment in geographic areas that are strategic to the development of Inditex's business model. At present, Inditex has twelve supplier clusters, wherein 95% of the aggregate production is based: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, China, Cambodia, Brazil, Argentina and Pakistan.



Challenges of a global supply chain are shared by many actors. The effect of working with different stakeholders, identifying such challenges and looking for common solutions, is beneficial both for the industry and for the development of the communities where Inditex is present.

As a result of this conviction, Inditex collaborates with global stakeholders, such as IndustriALL Global Union (hereinafter, “IndustriALL”), and plays an active role in relevant international initiatives, including, without limitation *Better Work*, *Ethical Trading Initiative,* the ILO and the United Nations Global Compact. Likewise, the Company engages in relationships with local stakeholders at the different clusters to promote the necessary changes in the textile sector and, thus, improve quality of life of the communities dependent on such industry.

Inditex strongly believes that it is essential for workers who are part of its supply chain, to get to know their rights and rely on the necessary mechanisms to uphold them through dialogue and collective bargaining. To achieve this, Inditex engages in collaboration relations based upon mutual trust with local and international trade unions present in the different countries which comprise its supply chain.

In this respect, Inditex’s Global Framework Agreement executed in 2007 with IndustriALL, has been the first one of a company within the sector to cover the entire supply chain. Its main goal consists of promoting the fundamental Human and labour rights throughout Inditex’s entire supply chain, including the definition of intervention and joint-action mechanisms for the implementation of the Code of Conduct for Manufacturers and Suppliers. Thus compliance with international labour standards arising from ILO and UN Conventions is ensured, as well as with OECD Guidelines. The Framework Agreement underlines the essential role that freedom of association and the right to collective bargaining must have in all countries.

As a result of the above referred Global Framework Agreement, on 4 May 2012 Inditex and IndustriALL executed the “Protocol to specify trade union involvement in order to strengthen the Global Framework Agreement for the manufacturing chain of Inditex”. Likewise, on 8 July 2014, the Framework Agreement between both parties was renewed at ILO’s headquarters in Geneva (Switzerland) and in 2016 a new agreement was reached which allows the involvement of trade union experts in certain clusters to monitor, oversee and accompany the suppliers throughout the entire supply chain.

During the life of the Global Framework Agreement, Inditex and IndustriALL have implemented a great number of joint initiatives at the clusters. In this respect, the relationship between Inditex’s local teams and IndustriALL delegations is ongoing, which allows to come close to the workers, their needs and expectations.

Thus, the main collaboration principles and action lines of the Global Framework Agreement are listed below:

- Transparency of the supply chain. Inditex regularly shares with IndustriALL the complete information regarding its supply chain and the degree of compliance with the Code of Conduct for Manufacturers and Suppliers, and allows unions to have access to the facilities of its suppliers, thus enabling both parties to be aware at all times of the reality of the factories and of Inditex suppliers.
- Implementation of programmes at local level. Since the execution of the Framework Agreement, upwards of 80 factories have been the recipients of specific training and workers’ representation schemes.
- Promotion of initiatives which encourage living wages. Inditex works together with IndustriALL and with other retail brands in such initiatives as ACT (Action, Collaboration, Transformation) which seeks to promote living wages in the textile sector, based upon an improvement of conditions to encourage dialogue and collective bargaining.
- Joint actions to tackle labour issues which may arise within the supply chain.

Additionally, the collaboration between Inditex and ILO in different joint projects for more than a decade can be pointed out, such as the *Better Work* programme or the *SCORE* project. Such collaboration has been endorsed, with the execution in 2017 of a Public-Private Partnership aimed at fostering respect for fundamental labour principles and rights within the cotton sector.

Both organisations continue working together to reinforce joint work within Inditex's supply chain in such areas as gender equality, industrial relations, training and, generally, improvement of working conditions of workers of the factories which are part of Inditex's supply chain and of their communities.

2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain

The 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain" is the cornerstone on which the "worker at the center" programmes are based. Such Plan was implemented throughout FY2017 and addresses the four main action lines regarding responsible management of the supply chain. Such action lines require the appropriate identification and knowledge of the suppliers and manufactures, subject to a thorough evaluation, helping them improve and optimize the social and labour conditions of the workers present in Inditex's supply chain, from non-exclusive supplier. This is the way to ensure sustainability and conformance by the manufacturer and suppliers to such standards that Indietx demands, giving rise to stable long-term business relationships, and allowing to gain a deeper knowledge in specific areas.

The first step to ensure the sustainability of the supply chain consists of identifying its components. In FY2017, Inditex's supply chain was made up of 1,824 suppliers[3] in 47 countries, working in 7,210 factories[4].

Inditex requires from all its suppliers that they would report on the manufacturing factories, including all levels and processes. Likewise, all suppliers are bound by the Code of Conduct for Manufacturers and Suppliers to demand compliance with this standard from all such factories they may employ to manufacture for Inditex.

With a global supply chain, Inditex identifies its suppliers and manufacturers by means of different tools, including, without limitation, traceability audits, whose main goal consists of verifying the traceability of the supply chain based upon the review of the information gathered through a management system that compels suppliers to report from time to time about the factories involved in manufacturing processes for Inditex.

2,621 traceability audits were conducted throughout financial year 2017 with the involvement of internal and/or external teams which worked on site in order to verify that production for the Group's formats took place in duly acknowledged and authorised factories as per the above mentioned management system.

To ensure the implementation of the Code of Conduct for Manufacturers and Suppliers, the first verification takes place even before the commencement of the supplier's business relationship with Inditex. This audit, known as *pre-assessment*, consists of the pre-assessment of the potential suppliers and factories, carried out by internal and external auditors, without prior notice. These pre-assessments serve the purposes of assuring that only those suppliers who comply with the Code of Conduct for

[3] Suppliers of fashion items, mainly clothing, footwear and accessories, producing over 20,000 units/year for Inditex
[4] Textile, footwear and accessory factories declared by suppliers in the manufacturer management system for orders in 2017

Manufacturers and Suppliers may be part of the supply chain. Inditex carried out 2,252 pre-assessment audits during financial year 2017.

Additionally, each and every supplier and factory which make up Inditex's supply chain are subject to regular social audits, conducted pursuant to the own methodology implemented by the Company, which was designed back in 2007 in partnership with the former ITGLWF (currently part of the new international federation of the industry IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics, of Cambridge.

These regular social audits seek to verify the degree of compliance with the Code of Conduct for Manufacturers and Suppliers and establish, where appropriate, corrective action plans (described below) aimed at ensuring respect for fundamental labour rights. Social audits are mainly conducted by independent external auditors and by internal auditors, without prior notice of the date when the inspection will take place. 4,215 social audits were conducted during financial year 2017.

Other assessments carried out include special audits, focused on a specific improvement area. An example of goals considered during such visits are structural technical assessments, or the assessment of working conditions of workers from the exclusive point of view of health and safety. During financial year 2017 2,159 special audits were conducted.

The Group's underlying philosophy consists of creating and improving together with its suppliers, which means that audits carried out are always monitored. Each audit entails, if appropriate, the immediate deployment of a corrective action plan that sets exacting goals and terms. Any supplier wishing to maintain its business relationship with Inditex is bound to perform such corrective action plans, and for such purposes, they rely on the full support and dedication of Inditex's sustainability teams.

The two main goals of corrective action plans are: (i) establishing the measures aiming at mitigation and/or remedying potential non-compliances with the Code of Conduct for Manufacturers and Suppliers; and (ii) prevention, for the purposes of preventing any such non-compliances in the future.

III.3 Commitment and Excellence of Our Products

Inditex has in place exacting health and safety of the product standards and requirements, which are mandatory and which apply to all the items[5] it sells and to all the suppliers with whom it works. This requirement also extends to the chemical industry that produces dyes and ancillary chemicals used in the textile sector and in leather.

Likewise, in partnership with a number of universities and laboratories of reference, it verifies the appropriate implementation of these standards, through the analysis of items and chemicals used in producing them, and through the conduct of recurrent audits of the factories that work for the Company's suppliers at any stage of the production process.

[5] With regard to items outside the scope of the health and safety of the product standards of the Group, they are subject to minimum requirements reports especially created pursuant to the statutory requirements which apply to the type of product and the country where they are sold

Clear to Wear

Clear to Wear is the product health standard of Inditex, which applies and is mandatory for all its items of clothing, footwear, accessories, trimmings and fabrics supplied. .

Clear to Wear has been developed by Inditex in partnership with the University of Santiago de Compostela, pursuant to the most exacting laws and regulations regarding product health. In addition to covering parameters and substances whose use is restricted, it limits the use of certain substances not addressed in the prevailing laws and regulations which could be potentially hazardous, and encompasses the provisions of REACH, the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals, being the EU regulation that all Inditex suppliers must observe. .

Safe to Wear

Safe to Wear is Inditex product safety standard, which applies and is mandatory for its entire production.

Safe to Wear has been developed in accordance with the most exacting and update laws and regulations in the field, and has been designed to ensure safety of all the items that Inditex sells. In addition to addressing issues on security in clothing for children (cords, drawstrings, small parts, sharp points and sharp edges), it includes parameters regulated by law (flammability).

Detailed information on both standards is available on Inditex website.

Inditex, being a responsible and socially committed company, is committed to implementing its standards throughout its supply chain; thus, it asks its suppliers to undertake to comply with such standards. “Safe to Wear” is reviewed very regularly, in order to always comply with the most exacting regulations in the world on product safety.

The List by Inditex

The List by Inditex is a pioneering global programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used in the manufacturing of items, conformance to Clear to Wear, Inditex product health standard, and the assumption of Inditex commitment to the Zero Discharge of Hazardous Chemicals by 2020.

The List by Inditex includes a register of chemical products available in the market and used in the manufacturing processes of textile and leather items, classifying them in accordance with their degree of conformance to *Clear to Wear*, and regulating their use and control.

19,780 chemical products were classified in the third edition of *The List by Inditex* completed in March 2017.

The methodology used to supervise and monitor the chemical products recorded in *The List by Inditex* includes analysis, audits of factories where such substances are produced and a strict supervision of the product health policies of the different companies. .

Additionally, through this collaboration with the chemical industry, work is also done to perfect the existing production processes, as this has an impact on improving chemical products. Where such perfecting is not possible, work is done in R+D programmes, in order to achieve new alternative chemical products.

Ready to Manufacture

“Ready to Manufacture” (hereinafter, “RtM”) is a code that provides best practices in manufacturing of textile and leather items at facilities where wet processes are carried out (dyeing, washing, printing and tanneries). It applies to all direct suppliers of Inditex, and seeks to ensure conformance to the Clear to Wear standard, and a commitment to achieve Inditex commitment to the Zero Discharge of Hazardous Chemicals by 2020.

RtM provides the correct selection of chemical products and manufacturing conditions. Therefore, *The list by Inditex* is a tool linked to RtM.

To ensure conformance thereto, a programme to supervise and monitor production is applied. Under such programme, strict analysis of products and processes identified as entailing a risk, are established.

1,735 RtM audits were conducted in 2017.

Picking: production control and analysis

Picking Programme is an inspection and analysis instrument designed by Inditex and adapted to its production and logisticsmodel. Its objective is to ensure that all items that the Company sells comply with its product health and safety standards.

Initially, during the design of the product stage, the potential risk of each item is reviewed. During manufacturing process, representative samples are taken to be analysed and tested at duly accredited external laboratories. Following a detailed evaluation of these samples, the product is approved, rejected, or is subject to the relevant changes so that it complies with Inditex standards.

During financial year 2017 59,687 inspection visits within the P*icking* programme were carried out, and 756,265 analysis and tests were completed.

The laboratories, distributed throughout the principal manufacturing geographical clusters, are the key actors for Picking and, for this reason, work in a standardised manner. Optimised analytical methods are used, with strict monitoring of quality

9,181 correlation samples were analysed in financial year 2017.

Inditex has developed, together with chemists and mathematicians of University of Santiago, certain tools that help detect such manufacturing technologies which entail some risks. This joint work has allowed to break down manufacturing risks based upon the components of the garments. Thanks to this continuous improvement, compliance with Inditex standards by a larger number of references through a lesser number of analysis can be verified, without jeopardising health, safety and environmental sustainability of its business model.

Root Cause Analysis

If an item does not comply with health and safety requirements, such production is automatically rejected by Inditex. Additionally, the Company would carry out Root Cause Analysis (RCA)

In this type of analysis, experts from the textile and/or leather sector visit the facilities (dye, wash, print and tannery) involved in manufacturing of the item affected in order to determine the origin of the incident. Finally, a Corrective Action Plan is provided for the facility in order to avoid the repetition of the incident in the future

108 RCA audits were carried out during financial year 2017.

The main causes of the RCA during financial year 2017 have been: the use of chemical products not included in *The List by Inditex* without the appropriate prior controls (90%); manufacturing conditions that may lead to cross contamination or contaminations from one production to another (4%).

Both the potential incidences detected through the RCA, as the solutions given to the facilities are used as c feedback in the manufacturing intervention programmes: Ready to Manufacture and The List by Inditex, which ensures constant improvement of the same

OUR PROGRAMMES IN THE MANUFACTURING OF A GARMENT

Facilities used in the manufacturing of a garment	SPINNING	WEAVING	DYEING	PRINTING	WASHING/ FINISHES	TAILORING
Application of our programmes	*The List*	*The List*	*The List* *Ready to Manufacture*	*The List* *Ready to Manufacture*	*The List* *Ready to Manufacture*	*The List* *Picking*

Training and awareness raising

During financial year 2017, Inditex has continued imparting training and raising awareness regarding product health and safety.

In partnership with scientific and technological institutions and companies, Inditex has implemented training support programmes covering specific and relevant issues of its product health and safety standards, *Clear to Wear* and *Safe to Wear*, with the attendance of technical staff and executives from its suppliers.

More particularly handbooks on best practices have been designed for suppliers, as well as guides to identify risk in dyes for textile and leather products and procedures for colour fastness improvement when subjected to wet rubbing processes

Such handbooks are the result of technological innovation proceedings aimed at solving specific quality problems and they have been implemented together with companies mainly of the dye, print and chemical products sector. Procedures developed provided technological alternatives to the methods so far used and they present important competitive advantages which facilitate producing higher quality goods, with the result that garments manufactured fully comply with the Clear to Wear *and Safe to Wear* standards.

During 2017, health and safety of the product experts of Inditex's Sustainability team carried out training and technical advice sessions at the main manufacturing clusters of the Company: Portugal, Morocco, Turkey, Bangladesh, India and Pakistan.

Finally, in order to raise awareness among internal design and buyers' teams, Inditex has established units of experts on health and safety of the product at all its formats for the purposes of:

− Continuously training the design and buyers' teams of each format on all issues related to health and safety of the product;
− Providing technical assistance in *situ* to the design and buyers' teams;
− Reducing the time required to detect any potential noncompliance event and provide specific solutions or technical assistance that fits each type of products; and
− Decentralising the process to manage analysis and tests that determine compliance with the standards to improve the effectiveness of the supervising system of the *Clear to Wear* and *Safe to Wear standards.*

Likewise, in 2017 health and safety of the product experts have implemented awareness-raising activities addressed to internal design and buyers' teams.

III.4 Circularity and Efficient Use of Resources

Inditex's environmental commitment

Inditex's environmental strategy is provided in the Policy for Environmental Sustainability, available on the Company's website. Such Policy covers the environmental commitments, which cut across all its business areas and throughout its entire supply chain.

The three environmental strategies which aim to ensure the highest possible protection of the environmental resources result from such Policy:

• Global Water Management Strategy;
• Global Energy Strategy; and
• Biodiversity Strategy

Additionally, Inditex is committed to protecting forest products, as specifically addressed in the Forest Product Policy

2016-2020 Environmental Strategic Plan

The 2016-2020 Environmental Strategic Plan has been in place during the year. Such Plan aims to ensure the achievement of the following environmental goals by 2020:
• Maintaining the ZDHC: *Zero Discharge of Hazardous Chemicals* commitment within the supply chain;
• Reaching the *Zero Waste to Landfill* objective by 2020, regarding the generation of waste at headquarters, logistics centers, own stores and own factories;
• All own stores comply with the requirements of the Eco-efficient Store standard, including new openings and refurbished stores;

• Increasing the manufacture of more sustainable products, by using the most sustainable fibers or of the best production techniques available, with the lowest environmental impact; and
• Reducing the emissions arising from the value chain.

More Sustainable Raw Materials

During financial year 2017, Inditex has continued working under *Join Life*, its environmental sustainability standard. Inditex selects the best practices in the field of environmental sustainability to share them through a special labeling system. In this way, Inditex stresses and promotes the best technologies and the use of the most sustainable raw materials, such as organic cotton, TENCEL®Lyocell, REFIBRATM Lyocell and recycled polyester, polyamide, cotton and wool. Additionally, new raw materials have been added during the year, such as European line and more sustainable viscose.

Inditex has offered to the market in 2017 a total number of 73,635,702 garments manufactured with raw materials that comply with *Join Life* standards. Out of them, 58,734,333 garments have been produced from organic cotton, up 38% from the previous year. As a result of this strong effort, Textile Exchange, an independent organisation, has ranked Inditex as the 5th company on a global scale in consumption of organic cotton by volume[6]. In 2017, Inditex has remained the world leader of its sector in consumption of sustainable fiber Lyocell[6] according to the above referred organisation, which has also ranked Inditex second in the world in terms of consumption of other cellulose fibers of a sustainable origin. With regard to the ranking of consumption of recycled fibers, Inditex has been ranked the fifth company that most increased demand of recycled polyester[6] and the sixth company with the higher volume of consumption of recycled cotton[6].

Likewise, Inditex continues supporting projects in cotton farms which have joined the Better Cotton Initiative. Additionally, Inditex is a founding member of the Investment Committee of the Organic Cotton Accelerator, (OCA), a multisectorial initiative created to promote the organic cotton sector, benefiting all players, from the farmer to the consumer. In 2017, Inditex has launched a project to directly collaborate with farmers to promote the production of organic cotton.

With regard to man-made cellulose fibers (MMCF), progress has been made towards achieving the objective established in Inditex Forest Product Policy, that seeks to ensure that man-made fibers used in garments do not originate in unprotected forests. To achieve this, the Company closely works with Canopy Planet organisation in the CanopyStyle initiative, to protect primary forests with a high conservation value. During the year, further to agreements reached with certain suppliers, Inditex has achieved that the traceability and sustainability of their forest products be ensured, by means of external verification.

Production

During financial year 2017, Inditex has continued making efforts to ensure that its supply chain meets the requirements of its own standard *Green to Wear*, aligned with the commitment to Zero Discharge of Hazardous Chemicals. The Company supports the suppliers so that they can achieve a sustainable environmental performance in terms of water, and improve energy efficiency and waste management. Progress made regarding this initiative are public, and are available on the www.wateractionplan.com website.

[6] Source: Organic Cotton Market Report 2017, Textile Exchange.

From the inception of the Green to Wear programme, Inditex has carried out 1,075 at the facilities where wet processes are carried out within its supply chain.

As a result of its commitment to transparency, Inditex has updated in July 2017 its list of factories where wet processes are carried out and which are part of its supply chain.

Inditex also works with the Chinese Institute of Public and Environmental Affairs (hereinafter, "IPE"), to improve the environmental management of its supply chain, and collaborates with its suppliers in disclosing the results of wastewater analysis on the Institute's website. In 2017, Inditex has assisted the IPE to prepare a map that monitors pollution produced by textile companies in China.

On the other hand, Inditex supports the transparency initiative of Zero Discharge of Hazardous Chemicals organisation (hereinafter, "ZDHC"). Likewise, as part of this support, Inditex collaborates with its suppliers in disclosing the results of wastewater analysis further to the *Green to Wear* audits, through *Gateway*, a portal designed by ZDHC specifically for such purpose.

In addition to its commitments to Zero Discharge and Transparency, referred to above, Inditex has in place a PFCs Free Policy, mandatory for all the suppliers of the Company, which requires that its garments are free from perfluorocarbons (PFCs).

Further to compliance with all such commitments, Inditex is the global leader in the *Detox Catwalk 2016*. ranking. This is an evaluation carried out by Greenpeace that reviews compliance by textile brands with the commitments set out in the 2020 Detox Plan, their transparency and the exclusion of perfluorocarbons in their products.

Logistics and Distribution

To ensure that all Inditex's logistics centers are efficient and sustainable, all of them have an ISO 14001 certified environmental management system. Additionally, Inditex has 6 headquarters and logistics centers which have been LEED Gold certified, while its Technological Center has been LEED Platinum certified, and Tempe's logistics center has been *Bream* certified.

In 2017, Inditex has continued implementing the Efficiency Plan at own stores, headquarters (including formats), logisticscenters and own stores worldwide, where old installations are replaced, in an effort to rely on more efficient technologies, such as LED lighting or the use of last generation batteries. Further to such measures, electricity consumption per garment[7] has been reduced by 9% versus the previous year.

Likewise, in Spain, Inditex bet for renewable energies is still strong, through the generation at different renewable facilities at its logistics centers, which is reinforced by trigeneration and cogeneration plants and the purchase of electric energy of certified renewable origin. Thanks to all such sources, Inditex's sustainable consumption in 2017 has reached 790,361 MWh, meeting 44% of its energy needs.

With regard to transport, the Company promotes efficiency of routes and optimization of cargo. In 2017, Inditex has commenced using a fleet of trucks with higher capacity, which allows increasing up to 50% the volume of regular trucks, thus reducing CO_2 emissions.

[7] Included in ratios by garments = (absolute value of the year / number of garments put on the market in the year) x 1000 are those units put on the market through all the stores, whether own or franchised

Inditex continues implementing the *Green to Pack* programme, which aims at optimizing its packaging. Under this programme, the volume of resources used is reduced, and thus, the negative impact thereof on the environment. One of the specific measures implemented under the *Green to Pack* programme consists of reducing weight and grammage or increasing the amount of recycled product for containers and packaging.

Circular systems are also adopted, which allow reusing hangers, alarm tags, boxes and other packaging. In the scope of e-commerce, Zara has launched a project to manufacture boxes for its online orders based upon own boxes made of recycled materials.

Eco-efficient stores

In 2017, Inditex has continued opening and refurbishing its own stores according to the Eco-efficient Store Manual, for the purposes of achieving the goal that by 2020, 100% of its stores comply with the requirements set out in such Manual. At year-end, 5,068 stores meet such criteria, which represents 78.9% of the total number of stores of the Group. In comparison to a conventional store, eco-efficient ones reduce electricity consumption by up to 20%, whereas in terms of water consumption, such saving reaches 40%. Additionally, thanks to the installation of last generation HVAC equipment, the average electricity consumption stands at 40%, which also allows cutting the associated emissions.

To ensure an appropriate energy management, Inditex relies on a centralised efficiency platform that connects and monitors HVAC and electricity installations of eco-efficient stores. In 2017, an aggregate number of 2,981 own stores have connected to the efficiency platform, which allows controlling and optimizing the management of HVAC and electricity installations.

At year-end, the Group has 27 own stores which have been certified under the sustainable construction standard LEED: 7 of them have been LEED Platinum certified and the remaining 20 Gold LEED certified, 4 of the latter in 2017 (the Zara Castellana 79 store in Madrid and Zara Calle Compostela in A Coruña, and the refurbished stores Zara Opera in Paris and Oysho Galleria Colonna in Rome).

Energy consumption and Greenhouse Gas Emissions

Inditex implements efficient energy management and saving measures at all its facilities for the purposes of improving energy efficiency and promoting a low-carbon economy.

During financial year 2017, global energy consumption of all its own factories, headquarters (included those of the formats), logistics centers and all own stores worldwide has amounted to 1,895,244 MWh[8]. Thanks to all the measures implemented to promote energy saving, Inditex has reduced consumption per garment[7] by 9% and regarding sales[9] by 11% as compared to the previous year.

Inditex has increased since 2016 the purchase of energy of certify renewable origin to reduce the impact of its electricity consumption and the emissions arising thereof. In 2017 the Group has reached a total of

[8] To calculate the electricity and natural gas consumption of logistics centers, headquarters and own factories, consumption at January 2018 have been estimated, as details are not available at the time of this report
[9] Included in the sales ratios ((absolute value of the year/€) x 1000) are sales made at all the stores, both own and franchised

752,643[10] MWh in its buildings in Spain Germany, Austria, Brazil, Poland, Switzerland and Portugal, preventing the emission of upwards of 262,550 t[11] of Greenhouse Gas Emissions (hereinafter, "GHG").

All such actions taken to promote energy efficiency together with the materialization of Inditex commitment to renewable energies, has allowed reducing GHG emissions associated to its business. In 2017, direct scope 1 emissions have been 18,550 t CO_2eq[12] and indirect scope 2 emissions have stood at 466,488 t CO_2eq[13].

Altogether, Inditex has relative scope 1 and scope 1 emissions, achieving 312.90 g CO_2eq per garment[7] and 18.02 g CO_2eq per sales[10] (€). As compared to financial year 2016, Inditex has achieved a 23% and 25% reduction, respectively.

Zero Waste to Landfill

Inditex has set as one of its goal that by 2020, no waste arising from its activities ends in a landfill. All waste produced by Inditex is collected and managed by legally authorised managers. Inditex works towards achieving that its waste is increasingly managed to be recycled (mainly paper and cardboard, wood, plastic, metal and textile remnants) or subject to other appropriate treatments allowing their recovery and their appropriate environmental management.

Closing the Loop Programme

Inditex has developed its own project to collect used garments, footwear and accessories to give a second life to the garments and promote closing the life cycle of the textile products. At the same time, this promotes social employment and collaboration with social entities and the third sector in our community.

Appropriate containers have been installed at all logistics centers and headquarters (including those of the formats) of the Group. Likewise, containers for used items are currently present in 598 Zara stores, and the programme has been completed in Spain, Portugal, United Kingdom, Ireland, the Netherlands, Sweden, Denmark, and China. Pilot tests are under way in Austria, Lebanon, Canada, and Japan. Likewise, in partnership with Cáritas, certain containers have also been made available to citizens in different streets so that they can donate the garments they no longer use. Thanks to this project, upwards of 12,228 tons of products were collected during financial year 2017.

Inditex collaborates with a number of projects, including the MIT's MISTI programme, with different Spanish universities and with the company Lenzing, to make progress in textile recycling processes and technologies that contribute to the circular economy. Likewise, Zara has launched a service to collect at the customers' home, free of charge, used garments, related to its e-commerce sales in Spain.

Training

[10] With regard to Spain, Austria and Switzerland, data refer to the calendar year, instead of the financial year (this latter being the period established in this Report). In Spain, Portugal and Poland, no consumption data for certain months are available, and therefore, estimates have been carried out.

[11] Emission factors applied to the energy mix of each country are taken from the *GHG Protocol Tool for Stationary Combustion*, version 4.1 of the *World Resources Institute*, 2015

[12] Emission factors applied to natural gas and diesel are taken from the *GHG Protocol Tool for Stationary Combustion*, version 4.1 of the *World Resources Institute*, 2015

[13] Emission factors applied are those corresponding to the energy mix of each market where Inditex is present

During the year, the development of contents and methodologies for environmental training has continued. Specific contents have been prepared based upon the needs of each group. One of the most relevant training proceedings has taken place regarding the most sustainable raw materials. Such training has been addressed to buyers' teams. Since 2014, a total number of 7,695 employees have received training on environmental issues.

Environmental Commitment with China

Progress has continued in 2017, regarding one of Inditex's main regional programmes covered in the 2016-2020 Environmental Strategic Plan. In the past year, progress has continued towards achieving the goal that 100% of stores in China become eco-efficient in 2018, two years before the global goal referred to above.

During financial year 2017, the use of system that standardises separation of waste at Inditex centers in China has begun, for the purposes of recovering materials and reusing them as new raw materials.

III.5 Customer Service Excellence

Inditex maintains a constant dialogue with its customers, who can communicate and interact with each of the Group's formats through different channels and keep updated on any new commercial development. In 2017, the formats of the Inditex Group had more than 121,300,000 followers in the different social media. Facebook and Instagram of each brand (with upwards of 58,400,000 and 42,500,000 followers, respectively), are the ones with the largest number of users. In addition to social media, more than 20,900,000 phone calls from clients were attended to by the customer service area of each format. Such calls concerned a large number of topics including, without limitation, queries regarding goods, shipments, potential incidences or current affairs of the formats. The average grade achieved by the service was 8.7/10.

Inditex works to ensure access to its premises. In this respect, the stores of the Group comply with such architectonic standards that allow disabled people access and circulation inside the premises, while at the same time ensuring a satisfactory shopping experience for its customers.

Access to the corporate websites is also a significant issue. Thus, in order to improve access to the Zara website, and remove barriers for disabled users, Zara has been working since 2015 with the company Ilunión Tecnología y Accesibilidad, in order to provide an inclusive shopping experience for all its disabled customers, both existing and potential. Through this collaboration, all processes and functionalities of the Zara online store have been largely improved, including the search and selection of garments, the purchase process or the channels through which users can contact the company. At the same time, all the websites of the Inditex Group comply with the Accessibility Guidelines or General Standards of Accessible Design established by Web Accessibility Initiative (WAI) Working Group, a part of W3C.

III.6 Contribution to Community welfare

Inditex's investment in the community model encompasses such activities which fit he company's commitment to contributing to the social development of communities with needs to be met, especially in those geographical areas where Inditex carries out its business, and which fulfil all the requirements outlined below:

- The contribution is voluntary: the company has no legal or contractual obligation whatsoever when it comes to making the contribution.
- Contributions shall be for non-profit and/or target a social and/or environmental benefit: supporting any initiative aimed at social and/or environmental well-being. Support to any non-profit organization is included. However, contributions to schools, universities or administrations can also be included, despite the fact that they not meet the requirement of not being non-profit organisations but their purpose is contributing to social well-being. .
- Beneficiaries shall not be restricted: contributions shall be open to all potential beneficiaries, without prior classifications, which may be discriminatory or beneficial to them on account of their belonging to or being related to companies in their capacity of customers, offspring of employees or any other similar circumstance. This does not mean that the activity in question may not be restricted to a limited group of specific individuals (ranged per age, training or other description), but instead, that it cannot be restricted on account of the relationship of such group with the company in question itself.

In this respect, Inditex understands investment in social programmes as an opportunity to contribute to the development of society by applying its business resources – both in cash and in kind, and in terms of time allocated by its staff.

Inditex's strategy regarding investment in the community is addressed in the Corporate Citizenship Policy, which is available on the Company's website.

Inditex's investment in the community materializes in collaborating with specific projects. Inditex prioritizes long-term strategic projects for specific activities, together with the community, always subject to a thorough monitoring and accountability process, rather than in occasional contributions for the general purposes of non-profit organisations

Each social initiative which is part of Inditex's programme of investment in the community is submitted by Inditex to a thorough process to measure contributions, achievements and impacts. For such purposes, Inditex uses, among others, the LBG methodology, based upon the following management grounds:

- Careful assignment of contributions in the community;
- Measuring achievements obtained; and
- Evaluating the impact of the components of the project separately, in order to assess, on the one hand the origin of profit, and on the other the programme as a whole.

In 2017, Inditex has gained deeper knowledge regarding the link between its model of investment in the community and the United Nations Sustainable Development Goals. This commitment is embodied in specific projects, in partnership with non-profit organisations, which target the following action lines:

- Education: understanding as such proceedings focused on providing opportunities through quality education which gives young people the opportunity of a decent life and encourages social justice and their personal growth.
- Social welfare: understanding as such all initiatives which encourage employment and entrepreneurship of vulnerable groups, encouraging labour integration of people at risk of social exclusion
- Emergency Relief: understanding as such all relief actions focusing on protecting life, health and wellness of people in emergency situations on account of natural disaster or similar circumstances.

The following examples of these three lines of action during financial year 2017 can be pointed out:

- The launching of new long-term strategic projects for specific activities in the academic field, in partnership with *Beijing Normal University*, *Tsinghua University*, or the University of A Coruña;
- The reinforcement of regular collaboration projects in the field of development cooperation, humanitarian relief and social action, through different organisations, such as Every Mother Counts, Doctors without Borders (MSF), Water.org, Fundación Entreculturas y Cáritas;
- The establishment of extraordinary emergency relief programmes, such as the one set in partnership with the Red Cross, as a result of the earthquake in Mexico;
- The launching of new initiatives that promote the multiplier effect created by contributions from employees for social purposes, such as the Human Resources projects *Teaming* or *Big Idea Project*;
- The increase of contributions in kind (Inditex clothes) to charities;
- The promotion of new strategic initiatives aligned with the business model, such as the *Closing the Loop* Programme to collect used clothes, in partnership with non-profit organisations including without limitation, China Environmental Protection Foundation, Cáritas, or the Red Cross, or the opening of new stores within the *for&from* project, that targets the labour integration of disabled people; or
- The launching of a new programme in partnership with ILO for the purposes of promoting respect of the fundamental principles and rights at work in the cotton sector.

During financial year 2017, Inditex invested €48,129,552 in social programmes, which represents a 20.2% increase versus the previous year (€40,042,744).

With regard to the types of contribution, they can be classified in the following four classes:

- Cash: this is the total amount paid by a company to a charitable organisation or project in the form of donations, social sponsorships, etc.
- Time: this is the proportional cost to the company of employees' time paid by the company but spent on community activities of a social nature.

- In-kind: this includes donations of products – garments, mainly- to charities.

- Management costs: these refer to expenses which are incurred by the company for general management of community projects.

In 2017, the most relevant line item regards contributions in cash, 65% of total. With regard to the previous year, both contributions in cash and in time from employees have increased, as well as those in kind. As for this latter type, in 2017 Inditex has donated an aggregate number of 3,673,993 garments for social causes, which represents a 76% increase compared to the previous year (2,083,980 garments).

Type of contribution	(€) 2017	2017 (%)	(€) 2016	2016 (%)	Variation	
Cash	31,563,507	65%	27,980,509	70%	12.8%	% management costs included
Time	2,204,859	5%	1,929,797	5%	14.3%	
In kind	13,812,547	29%	9,584,482	24%	44.1%	
Management costs	548,639	1%	547,955	1%	0.1%	
TOTAL	**48,129,552**	**100%**	**40,042,743**	**100%**	**20.2%**	

Likewise, Inditex reports its voluntary contributions to the community, according to the following classification:

- One-off charitable gifts: institutional donations to the general goals of community organisations. Mainly: sponsorship initiatives, and certain one-off contributions in kind for charitable causes.

- Community investment: A long-term strategic commitment in collaboration with the community to support specific social activities. Mainly partnership agreements with non-profit organisations for specific social deeds.

- Commercial initiatives in the community: Initiatives of social interest directly related to the company's retail activity. Mainly, *for&from*, *Salta!* and *Take Back* programmes

In 2017, Inditex has increased the number of contributions classified as community investment and as commercial initiatives in the community; conversely, the number of one-off contributions of the Group has decreased. This is due to Inditex's intent to prioritize strategic social contributions in order to maximize the impact of its investment in the community.

Category	(€) 2017	2017 (%)	(€) 2016	2016 (%)	Variation	
Charitable gifts	3,263,743	7%	3,395,686	9%	-3.9%	% management costs excluded
Community investment	37,020,064	78%	29,245,004	74%	26.2%	
Commercial initiatives in the community	7,297,107	15%	6,854,099	17%	6.5%	
TOTAL	**47,580,913**	**100%**	**38,494,789**	**100%**	**20.5%**	

With regard to the area of activity: 42% of the Group's investment in the community targets social welfare- namely by promoting employment of vulnerable groups- 22% emergency relief and 16%

education. In 2017, in line with the strategy for social intervention defined in the Corporate Citizenship Policy, upwards of 80% of investment in social programmes has been allocated to reinforcing Inditex's three main strategic pillars in the field of social contribution.

Activity area	**(€) 2017**	**2017 (%)**	
Social welfare	20,180,975	42%	% management costs excluded
Emergency relief	10,687,647	22%	
Education	7,727,769	16%	
Health	3,725,615	8%	
Environment	2,653,158	6%	
Economic development	1,735,233	4%	
Art and culture	870,516	2%	
TOTAL	**47,580,913**	**100%**	

With regard to the territories where social programmes are implemented, Inditex gives priority to regular contributions to the communities made at corporate level in such geographical areas where the Group carries out business, namely at Inditex clusters. Likewise, the Group's subsidiaries carry out social programmes nationally, implementing projects in proximity that maximize the positive impact within their sphere of influence. The investment in social programmes in 2017 broken down per geographical areas is shown below:

Geographical area	**(€) 2017**	**2017 (%)**	
Spain	20,893,381	44%	% management costs excluded
Europe	5,356,042	11%	
Latin America	6,180,815	13%	
Africa	1,215,654	3%	
Asia	8,282,973	17%	
USA and Canada	5,206,730	11%	
Australia	445,318	1%	
TOTAL	**47,580,913**	**100%**	

In 2017, Inditex has continued making progress on linking its model of investment in social programmes with the UN Sustainable Development Goals. Thus, the main Sustainable Development Goal has been identified in respect of each of the 594 social initiatives carried out during the year. As a result, and in line with Indtitex's activity throughout 2017, proceedings regarding investment in the community have centered around Sustainable Development Goals no. 8, 10 and 12. Additionally, Inditex has significantly contributed to Sustainable Development Goals no. 3 and 4. Namely, Inditex has allocated 82% of its investment in social programmes to social initiatives mainly targeted at any of those Sustainable Development Goals.

SDG	(€) 2017	2017 (%)	
8. Decent work and economic growth	9,857,883	21%	% management costs excluded
10. Reduce inequalities	8,630,758	18%	
12. Responsible consumption and production	7,453,651	16%	
3. Good health and well-being	6,778,230	14%	
4. Quality education	6,228,674	13%	
Others	8,631,717	18%	
TOTAL	**47,580,913**	**100%**	

1,584,466 persons have directly benefited from the social programmes implemented throughout financial year 2017, which represents a 45% increase versus the previous year (1,093,401 direct beneficiaries).

Inditex analyses the effects on beneficiaries resulting from social programmes implemented, both in terms of depth and of type of impact.

In terms of the depth of impact, the effects on the beneficiaries of the projects are broken down into the three following categories. The numbers recorded under each of the depth of impact headings are mutually exclusive:

- Connection: number of people reached by activity reports limited change as a result of an initiative.

- Improvement: number of people who can report some substantive improvement in their lives as a result of the project.

- Transformation: number of people who can report an enduring change in their circumstances as a result of the improvements made.

With regard to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories in such a way that the same beneficiary can experience more than one type of impact:

- Behaviour or attitude change: the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has enabled a change in negative attitudes or prejudices, allowing people to make better decisions.

- Skills or personal effectiveness: the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, in the workplace or socially.

- Quality-of-life or well-being: the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical well-being.

Number of direct beneficiaries where results were measured	1,527,237

Depth of impact: **number of beneficiaries that:**		
Made a connection through the community activity	89,846	6%
Made **an improvement** through the community activity	993,661	65%
Made **a transformation** through the community activity	443,730	29%

Number of direct beneficiaries where results were measured	1,527,237	
Type of impact: number of beneficiaries that:		
Experienced a **positive change in their behaviour** or attitude as a result of the support	604,199	40%
Developed **new skills** or an increase in their personal effectiveness	56,312	4%
Experienced a **positive impact on their quality of life** as a result of the support	1,377,413	90%

III.7 Corruption and bribery

Strategy

In order to reduce exposure to criminal regulatory risks, namely to the risk of perpetrating criminal offences related to corruption, fraud and bribery, Inditex relies, first of all, on a structure of basic standards (high level) and a number of organisational documents which constitute the three main pillars of the Company's cross-cutting Compliance System. Such high level standards are:

- The Code of Conduct and Responsible Practices: it reflects Inditex's corporate culture and sets out the yardsticks for ethical behaviour that must be observed by all the Group's employees in the discharge of their professional duties.

Additionally, the Code includes a number of commitments to ethical conducts and responsible practices, including, as far as this section is concerned: compliance with applicable laws and regulations, and with Inditex's internal regulations; establishing lawful, ethical and respectful relationships with suppliers and public authorities, in line with international provisions to prevent corruption and bribery; the obligation to avoid and control conflict of interests situations; the duty to make an efficient use of the goods and services of the Company, and to protect the information thereof; the duty to record transactions with economic significance in a clear and accurate manner in the appropriate accounting records. .

- The Code of Conduct for Manufacturers and Suppliers: which defines the minimum standards for an ethical and responsible behaviour that must be observed by all the manufacturers and suppliers of the Group, and which has been subject to a detailed analysis in previous sections of this Report.

The Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers are available on the corporate website.

Inditex also relies on an organisational and management model to prevent criminal offences: the Model of Criminal Risk Prevention, composed of the following documents:

- The Policy on Criminal Risk Prevention: it associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration by the employees and/or the Group itself the Policy intends to prevent. It expressly forbids to offer, grant, solicit or accept, directly or indirectly, gifts or handouts, favours or compensations, in cash or in kind, regardless of their nature, to or from any authorities or public servants, and includes specific guidelines to deal with public servants and administrators.

Such Policy is available to all the employees on INet.

- The Criminal Risk Prevention Procedure, which sets out the duties of the Committee of Ethics in the field of criminal risk prevention, and the organisational measures of the Company in this area.

- The Scoping Matrix of Criminal Risks and Controls, which sets out the criminal risks and controls established to prevent perpetration of offences.

Within the scope of such Model of Criminal Risk prevention, different standards have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates. Namely, for the purposes of ensuring that all Inditex employees, and those third parties with whom they are engaged in any business relationship, comply with the main anti-bribery and anti-corruption regulations existing in such markets where the Grupo is present, the so-called Integrity Policies have been approved. Such Policies have been circulated and are available on INET.

Such Policies implement certain elements of the Policy on Criminal Risk Prevention, and intertwine with the ethical values of the Group, defined in its Codes of Conduct.

The Integrity Policies, available on the corporate website and on INet, consist of:

- The Policy on Donations and Sponsorships, which define the notions of donation and sponsorship, for ease of reference of its recipients, and covers a number of requirements donations and sponsorships must meet in order for them to be validly made and/or accepted.

- The Policy on Gifts and Business Courtesies, which defines the notions of gift and business courtesy, for ease of reference of its recipients, and covers a number of requirements that must be met for the offering and/or acceptance thereof to be valid and compatible with Inditex's conduct policies.

- The Policy on Dealings with Public Servants, which (i) defines the notion of bribery and of public servant; (I i) expressly forbids briberies in the public or private sectors; (iii) covers extortion payments; (iv) expressly forbids facilitation payments, even where such payments are not forbidden under the laws and regulations of the country or territory in question; and (v) establishes due diligence process implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

The above referred basic high level standards and the Model of Criminal Risk Prevention are part of the above mentioned Compliance System of Inditex, whose nature is general and cross-cutting, and which is comprised of the following regulations:

- The Policy on Compliance, which sets out the commitments that all the employees of the Inditex Group must undertake, regardless of their location and position.

- The Compliance Management Procedure, which develops the contents of the Policy and fixes the organisational measures to prevent, detect and manage Noncompliance Risks events, reinforcing a culture of ethical compliance.

Likewise, in order to reduce criminal risks inherent in the business conducted by Inditex, and in the offences of public corruption and/or corruption among private persons, identified in the Scoping Matrix of Criminal Risks and Controls, a number of controls have been implemented, including:

- The communication, regular training and adherence by the employees to the Group's Code of Conduct and Responsible Practices

Additionally, the communication and disclosure of the internal regulations associated to the Model of Criminal Risk Prevention of the Group has been reinforced.

- The Policy on Representatives and Proxies of the Companies which make up the Inditex Group, that sets limits to representation powers.

Such Policy is available on INet to all the employees, and has been circulated to such employees who exercise, or are going to exercise representation powers of any company of the Group. Such employees are bound to state in writing their commitment to strictly comply with the Policy.

With regard to the foregoing, a Register of representatives and proxies of the Inditex Group has been put in place, to be aware at all times of those persons authorised to act for and on behalf of each company of the Group, as well as the scope of their authorities.

- The Policy on Corporate Payments: approved, circulated and available on INet. It provides the express prohibition to make payments in cash or with cheque. Any exception to such rule set shall be previously authorised by the Financial Management Department.

- Setting a segregation of functions, by separating profiles in those who can prepare payments and those who can make them.

- The Standard for Procurement Management which relies on (i) a tool for management of orders; and, (ii) an official procedure for the selection and hiring of indirect suppliers and calling for tenders.

- The inclusion in all the agreements covering general supplies and services entered into by Spanish companies, of an anticorruption clause whereby the general contractor expressly and irrevocably undertakes to comply at all times with the regulations on anticorruption, to the extent applicable, including not only provisions applicable because of where they are domiciled, but also any other regulation in force at the place of performance of the agreement.

Supervisory bodies of the Model

The Model is managed and supervised by the following governing bodies of the company:

- The Committee of Ethics, that reports to the Board of Directors through the Audit and Control Committee, is charged with overseeing compliance with the Codes of Conduct and with the Model of Criminal Risk Prevention, as well as the effectiveness of the controls set in such Model, and with ensuring that they fit the prevailing legal requirements from time to time in force.

The Committee of Ethics submits, at least every six months, a report to the Audit and Control Committee to review its proceedings and the application of the Code of Conduct and Responsible Practices, as well as the results of the supervision of the Model of Criminal Risk Prevention.

- Additionally, the Audit and Control Committee reports to the Board of Directors on an annual basis and every this latter so requests, on the enforcements of the Code of Conduct and Responsible Practices and of the additional documents which are part of the prevailing model of internal regulatory compliance from time to time in force.

- The General Counsel's Office – Office of the Chief Compliance Officer, is charged in general with the operational management of the Compliance System of the Company and its Group and in particular, of the Model of Criminal Risk Prevention.

The Company relies on a Whistle Blowing Channel whereby all the Group's employees, suppliers or third parties with a direct relationship and a lawful business or professional interests can, regardless of their managerial level and geographical or functional location, report any noncompliance with the internal regulations of the Group governing conduct and regulatory compliance, by any Group's employee, manufacturer, supplier or third party with whom the Group has a direct employment, business or professional relationship and which affect either Inditex or its Group. The information on such Whistle Blowing Channel is available on INet.

Therefore, any manner of noncompliance or breach may be reported, including those associated with corruption, fraud and bribery.

The Committee of Ethics is responsible for managing and overseeing the Whistle Blowing Channel and compliance with the Whistle Blowing Channel Procedure. The running of the Whistle Blowing Channel is addressed in the Whistle Blowing Channel Procedure.

The decisions of the Committee of Ethics shall be binding for the Inditex Group and for the employee.

Following reception of any report, the Committee of Ethics first establishes whether it falls within its remit. If such is the case, the Committee of Ethics will refer the matter to the relevant department so that it would launch the relevant investigation. Otherwise, it will order closing of proceedings.

In light of the findings following the relevant investigations, and having heard first the interested party, the Committee of Ethics will adopt any one or more of the following measures, having first assessed and considered them with the relevant department or departments:

- The remediation of the breach, if appropriate
- Proposing relevant sanctions or proceedings and/or.
- Closing of proceedings, in the absence of any breach whatsoever.

During financial year 2017, the Audit and Control Committee has engaged an independent firm to audit the Model of Criminal Risk Prevention, within the scope of a reasonable assurance review, in order to confirm the effectiveness and appropriate exercise of the controls included in the Scoping Matrix of Risks and Controls, and that the Model conforms to the requirements set in the Criminal Code and in UNE 19601 standard. The firm has issued an unqualified audit report.

Cases regarding corruption, fraud and bribery

During financial year 2017, Inditex has not learned, either through the Committee of Ethics or by any other means, of the institution of any legal proceedings regarding corruption or bribery which affect the Company.

IV.- Initiatives that Inditex has joined

The main initiatives, agreements and codes undertaken by Inditex are shown below (some of them are described in greater detail in other sections of this Report):

- UNI Global Union. It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of endorsement: 2 October 2009.

- UN Global Compact. A United Nations initiative that encourages social dialogue between companies and the civil society. Date of endorsement: 31 October 2001.

- Ethical Trading Initiative (ETI). A dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organisations. Date of endorsement: 17 October 2005.

- Framework Agreement with IndustriALL Global Union (formerly, ITGLWF). To promote fundamental human and social rights within Inditex's supply chain, including the definition of mechanisms of joint action within the supply chain to implement the Code of Conduct for Manufacturers and Suppliers. Date of endorsement: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the "Protocol to define the involvement of trade unions in the reinforcement of the International Framework Agreement within Inditex's supply chain." On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL, that introduces the concept of "union experts" to enforce the Global Framework Agreement.

- *Zero Discharge of Hazardous Chemicals* in 2020. Commitment towards restriction and elimination of certain chemicals in the product manufacturing process. Date of execution: 27 November 2012.

- ILO's Better Work Programme. Platform to improve compliance with labour regulations and competitiveness of global supply chains Date of accesion: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.

- The CEO Water Mandate. A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of endorsement: 30 June 2011.

- Sustainable Apparel Coalition. An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of endorsement: 20 October 2011.

- Textile Exchange. A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of endorsement: 8 September 2010.

- Better Cotton Initiative. An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of endorsement: 1 July 2011.

- Code of Good Tax Practices. It encourages a mutually cooperative relationship between the [*Spanish*] Tax Administration Authority and the companies. Date of endorsement: 21 September 2010.

- Cooperation Agreement between the Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defense and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.

- Cotton Campaign: this is an initiative led by companies and organisations of the third sector to improve working conditions and defend Human Rights with regard to the production and supply of cotton. Date of endorsement: 26 October 2012.

- Agreement on Buildings Safety in the Textile Industry in Bangladesh dated 13 May 2013. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country.

- Fur Free Alliance. Inditex is a member of the Fur Free Retailer Program of the Fur Free Alliance. The Fur Free Alliance is an international coalition of animal protection organisations working to bring an end to the exploitation and killing of animals for their fur. Date of endorsement: 1 January 2014.

- Bangladesh Water PaCT (Partnership for Cleaner Textile): a 4-year initiative that seeks to foster changes within the textile sector in Bangladesh by improving the so-called wet processes (dying, washing, printing and other finishes) from an environmental perspective, thus contributing to the competitiveness of the sector in the long run. Date of endorsement: 20 June 2013.

- ACT (Action Collaboration Transformation): an initiative of international brands & retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain. In development thereof, a Memorandum of Understanding was subscribed by ACT’s brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of execution: 13 March 2015.

- *CanopyStyl*e Initiative. Date of endorsement: 2014. Committed to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibers (viscose, modal, lyocell).

- Organic Cotton Accelerator (OCA Foundation). One of the founding partners of OCA Foundation in 2016 and member of the Investment Committee, being actively committed to contributing to develop a responsible and healthy market of organic cotton for all parties involved.

- International Labour Organisation (ILO). Execution of a global Public-Private Partnership aimed at promoting respect for the fundamental principles and rights at work in the cotton sector. Date of execution: 11 May 2017.

- LBG. Methodology to measure business contributions to the community. Upwards of 200 global and mid-size companies from 15 sectors worldwide are currently part of the LBG network. Inditex has been a member since 2012.

V.- Corporate recognitions in external indexes or evaluations

During financial year 2017, Inditex has been recognised in the following indexes or evaluations:

- *Dow Jones Sustainability Index* (DJSI). In 2017 Inditex has been named by Dow Jones Sustainability Index for the second straight year, the most sustainable company in its sector, having scored 80 out of a possible 100 points. This ranking, compiled by the sustainability investing specialist RobecoSam, highlights Inditex's "*leadership within the retail industry with its pioneering stance on Human Rights”*.

- FTSE4Good. In 2017, Inditex scored 4.8 out of a possible 5 points, the highest in the industry, in the FTSE4Good index. This sustainability index includes the global companies most committed to corporate responsibility, considering their environmental, social and corporate governance practices.

- *Merco*. Merco Personas has named Inditex for the seven straight year the “Best company to work for in Spain.”

- *Universum*. Universum identifies the 100 best companies to work for based upon surveys of university students. Inditex retains in 2017 the third position in the Business and Trade classification, which it also achieved in 2015 and 2016.

- *The Detox Catwalk 2016*. The Detox Catwalk 2016 report published by Greenpeace ranks Inditex at the top of the classification of the "*Detox committed companies that are ahead of the field, leading the industry towards a toxic-free future with credible timelines, concrete actions and on-the-ground implementation",* with the highest score..

VI.- About this report

In preparing this report, Inditex has followed the principles and directions included in the Global Reporting Initiative (GRI) standards.

To determine which contents to include in this report and how to report them, the Company has followed the directions provided in the standard GRI 101: Foundation 2016. Such standard covers the essential reporting principles to draft sustainability reports. One of such principles is materiality. Inditex has implemented such principle through a materiality analysis carried out with its stakeholders, which has resulted in the Materiality Matrix addressed in section II above.

Thus, and based upon GRI principles, this report addressed such issues which reflect significant economic, environmental and social impacts of the Company which may affect in a substantial manner the assessment process and the decision making of the interested parties. Both such issues and others not covered herein will be included in the Annual Report for financial year 2017, to be published by Inditex in July 2018.

Additionally, the recommendations provided in the guide prepared by the GRI have also been considered. According to such guide, a link has been established between Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (hereinafter, "Directive 2014/95/EU") and GRI's own standards: Linking the GRI Standards and the European Directive on non-financial and diversity disclosure.

Based upon the results of the materiality analysis, the issues addressed in (i) Directive 2014/95/EU, (ii) Real Decreto-ley 18/2017, of 24 November, whereby the Code of Commerce is amended, the revised text of the [*Spanish*] Companies Act approved by Real Decreto Legislativo 1/2010,of 2 July, and Act 22/2015, of 20 July on Statutory Audit, regarding non-financial information and diversity, and (iii) based upon the information herein available, the following GRI standards have been subject to an independent review by KPMG:

GRI Standards reviewed		Page
102-9	Supply chain	20
AF7	Number and location of workplaces covered by code of conduct	20
AF8	Number of audits conducted and percentage of workplaces audited	20,21
414-1	New suppliers that were screened using social criteria	21
416-1	Assessment of the health and safety impacts of product and service categories	22-24
201-1	Direct economic value generated and distributed	32-35
205-3	Confirmed incidents of corruption and actions taken	40
102-8	Information on employees and other workers	9
401-3	Parental leave	10
405-1	Diversity on governing bodies and employees	9-10
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	15
302-1	Energy consumption within the organisation	28
AF21	Amount of energy consumed and percentage of the energy that is from renewable sources	27,29
305-1	Direct (Scope 1) GHG emissions	29
305-2	Energy indirect (Scope 2) GHG emissions 2	29
308-2	Negative environmental impacts in the supply chain and actions taken	27

The scope and results of the independent review are described in the Review Report attached hereto.

KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report to the Management of Industria de Diseño Textil, S.A.

To the Management of Industria de Diseño Textil, S.A.

In accordance with our engagement letter, we performed an assurance review on the non-financial information contained in the Annex called "NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY" of the Management Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2018 (hereinafter "the Report"). The information reviewed corresponds to the content of the GRI standards indicated in the section "About this report" of the Annex: 102-8, 102-9, 401-3, 403-2, 405-1, 414-1, 308-2 , 416-1, 302-1, 305-1, 305-2, 201-1, AF7, AF8, AF21.

Management responsibilities

Inditex management is responsible for the preparation and presentation of the Report in accordance with the *Real Decreto Ley 18/2017 sobre divulgación de información no financiera y diversidad*. Management is also responsible for the information and assertions contained within the Report, in accordance with the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards), and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that Inditex management considers necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to carry out a limited assurance review and to express a conclusion based on the work performed, referring exclusively to the non-financial information corresponding to 2017. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information and the Standard ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Limited assurance over limited assurance indicators

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of Inditex´s processes for determining the non-financial material issues that may have an impact on society.

- Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business of Inditex.

- Evaluation through interviews concerning the consistency of the description of the application of Inditex´s policies and strategy on sustainability, governance, ethics and integrity.

- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.

- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Inditex.

- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information that responds to the *Real Decreto Ley 18/2017 sobre divulgación de información no financiera y diversidad*, contained in the Annex called "NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY" of the Management Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2018, have not, in all material respects, been prepared and presented in accordance with the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards), including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Purpose of our report

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Inditex in relation to the Annex called "NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY" of its 2017 Management Report, and for no other purpose or in any other context.

KPMG Asesores, S.L.

José Luis Blasco Vázquez

13 March 2018

Pursuant to the provisions of section 253 of the Revised Text of the Companies Act, and section 34 of the Code of Commerce, the Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 13 March 2018, to issue the consolidated annual accounts and the directors´ report for the financial year ended 31 January 2018. The annual accounts consist of the documents preceding this page (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements).

Mr Pablo Isla Álvarez de Tejera
Chairman

Mr Amancio Ortega Gaona
Ordinary member

Mr José Arnau Sierra
Deputy Chairman

Pontegadea Inversiones, S.L.
Ordinary member
Ms Flora Pérez Marcote

Ms Denise Patricia Kingsmill
Ordinary member

Mr José Luis Durán Schulz
Ordinary member

Mr Rodrigo Echenique Gordillo
Ordinary member

Mr Carlos Espinosa de los Monteros
Bernaldo de Quirós
Ordinary member

Mr Emilio Saracho Rodríguez de Torres
Ordinary member