ANNUAL ACCOUNTS

ECONOMIC AND FINANCIAL REPORT

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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 2020, 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 ("2019").

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 2020, 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.

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Impacts of IFRS 16, Leases	
Description	**Procedures applied in the audit**
The reporting period that began on 1 February 2019 was the first in which Inditex applied International Financial Reporting Standard 16 (IFRS 16), which substantially modifies the accounting for leases. Due to the large volume of leases in which the Group acts as lessee, this standard had a significant impact on the consolidated financial statements. The Group designed an implementation plan for the adoption of this standard which, among other actions, analysed and defined the criteria to be applied in the transition process, the lease identification processes, the monitoring and control of the leases in force and the development of the methodology to be applied in the measurement of the leases. The disclosures associated with the application of this standard are detailed in Notes 2.2 and 15 to the accompanying consolidated financial statements. The large volume of leases, the diverse nature thereof and the significance and impact of the estimates made (mainly to assess the term of each lease and the applicable discount rate), lead us to consider this matter to be a key matter in our audit.	In response to this key matter, our audit included, among others, the following procedures: - An evaluation of the design, implementation and operating effectiveness of the relevant controls established by the Group in relation to the methodologies developed and estimates made in order to evaluate the main impacts of the standard. - A review of the analysis performed by Group management of the main aspects of the standard, such as identification of applicable leases, definition of the relevant criteria and assumptions, including specific assumptions in the accounting policy transition process, and evaluation of whether this analysis is consistent with, and adequate for the purpose of, the criteria established in the applicable regulations. - An evaluation of the reasonableness of the main assumptions used by management including, among others, determination of the lease term and the discount rate to be applied in the measurement of each lease, and the appropriateness thereof in relation to the applicable accounting framework. - For a representative sample of leases, verification of the reasonableness of the amounts included in the adjustment recognised at the transition date and at the reporting date. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

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Measurement of inventories	
Description	**Procedures applied in the audit**
The Group's inventories had a carrying amount of EUR 2.269 million at 31 January 2020, representing 8% of its total assets. These inventories relate mainly to finished goods, are distributed among the distribution centres and stores managed by the Group and are measured as described in Note 2-h to the accompanying consolidated financial statements. The Group's business model is based on offering fashion products according to customer demand by means of an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale. The fast-moving nature of fashion, the effects that the Covid-19 pandemic is having on the realization of the inventory for the spring-summer 2020 campaign (see Note 32) and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the acquisition cost and recoverable amount of each SKU, lead us to consider this matter to be a key matter in our audit.	In response to this key matter, our audit included, among others, the following procedures: - An evaluation of the consistency of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2020 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year. - An evaluation of the design, implementation and operating effectiveness of the key controls in place in the inventory measurement process. - For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the acquisition cost and considering the costs attributable to such goods, for which we involved our IT experts. - An evaluation of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and historical and other available information, such as sales and returns after the reporting date, for which we involved our IT experts. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

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 its IT system and the correct functioning thereof. 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, analysis of operating effectiveness and validation of the general, and certain automatic, financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit.	In response to this key matter, our work included, among others, 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 evaluation of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems 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 evaluation of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, leases, accounting closing and consolidation. - A review of the cybersecurity risk management model for the main IT systems. The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the consolidated financial statements.

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Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, 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 responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation 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 whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated 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 section 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 observed that the information described in section a) above was provided in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Compliance 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 compliance 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 Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 17 March 2020.

Engagement Period

The Parent's Annual General Meeting held on 16 July 2019 appointed us as auditors for a period of one year from the year ended 31 January 2019.

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.
Registered in ROAC under no. S0692

Germán de la Fuente
Registered in ROAC under no. 15.976

17 March 2020

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 compliance 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 compliance 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 compliance 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.

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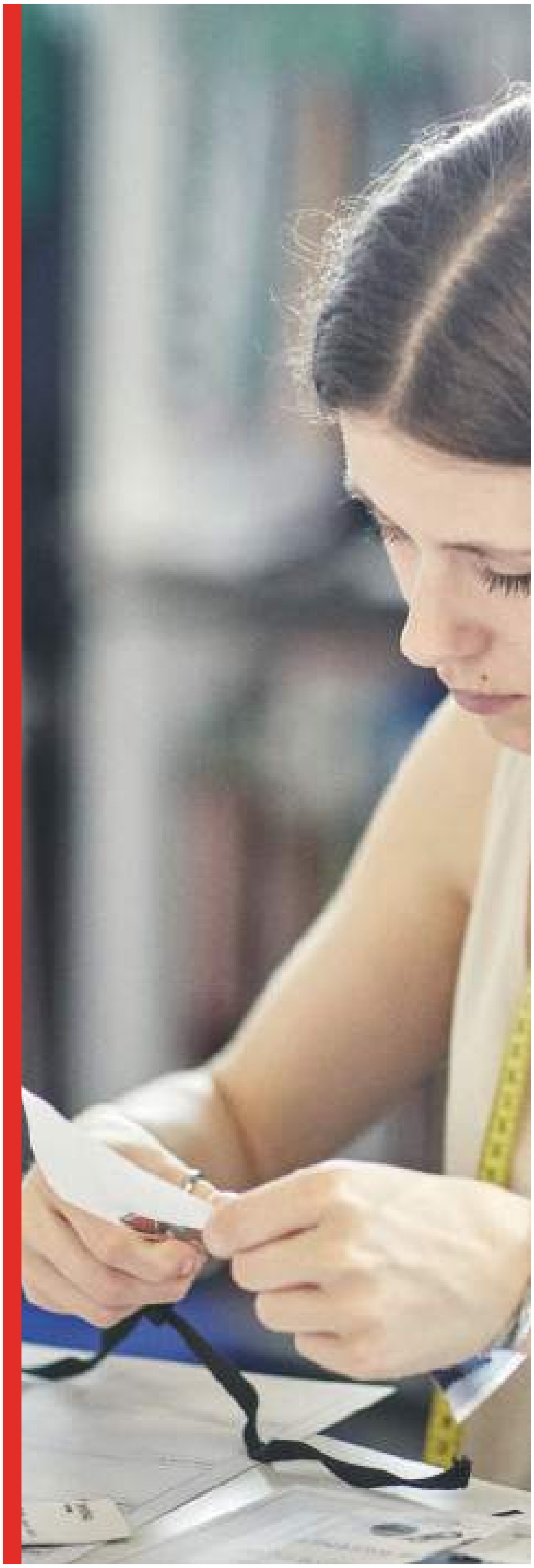

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INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

Consolidated income statement

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2019	2018
Net sales	(3)	28,286	26,145
Cost of sales	(4)	(12,479)	(11,329)
GROSS PROFIT		**15,806**	**14,816**
		55.9%	56.7%
Operating expenses	(5)	(8,176)	(9,329)
Other losses and income, net	(6)	(33)	(30)
GROSS OPERATING PROFIT (EBITDA)		**7,598**	**5,457**
Amortisation and depreciation	(7)	(2,826)	(1,100)
NET OPERATING PROFIT (EBIT)		**4,772**	**4,357**
Financial results	(8)	(152)	17
Results of companies accounted for using the equity method	(17)	61	54
PROFIT BEFORE TAXES		**4,681**	**4,428**
Income tax	(24)	(1,034)	(980)
NET PROFIT		**3,647**	**3,448**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**8**	**4**
NET PROFIT ATTRIBUTABLE TO THE PARENT		**3,639**	**3,444**
EARNINGS PER SHARE, EUROS	**(9)**	**1.168**	**1.106**

Consolidated statement of comprehensive income

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2019	2018
Net profit		3,647	3,448
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		35	21
Cash flow hedges			
Profit	(25)	1	3
Loss	(25)	(6)	(11)
Tax effect		1	4
TOTAL		**31**	**17**
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(3)	(6)
Loss	(25)	11	31
Tax effect		(3)	(2)
TOTAL		**5**	**24**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,684**	**3,489**
Total comprehensive income attributable to:			
Equity holders of the Parent		3,676	3,485
Non-controlling interests		8	4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,684**	**3,489**

Consolidated balance sheet

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	31/01/2020	31/01/2019
ASSETS			
NON-CURRENT ASSETS		16,977	11,064
Rights over leased assets	(14)	-	464
Rights of use	(15)	6,043	-
Other intangible assets	(14)	410	346
Goodwill	(16)	207	206
Property, plant and equipment	(13)	8,355	8,339
Investment property		21	20
Financial investments	(17)	249	267
Other non-current assets	(18)	456	564
Deferred tax assets	(24)	1,236	858
CURRENT ASSETS		11,414	10,620
Inventories	(12)	2,269	2,716
Trade and other receivables	(11)	780	820
Income tax receivable	(24)	174	108
Other current assets		78	162
Other financial assets	(25)	14	20
Current financial investments	(20)	3,319	1,929
Cash and cash equivalents	(20)	4,780	4,866
TOTAL ASSETS		**28,391**	**21,684**

EQUITY AND LIABILITIES			
EQUITY		14,949	14,682
Equity attributable to the Parent		14,913	14,653
Equity attributable to non-controlling interests		36	30
NON-CURRENT LIABILITIES		6,136	1,618
Provisions	(21)	217	229
Other non-current liabilities	(22)	380	1,072
Financial debt	(20)	6	5
Lease liability	(15)	5,163	-
Deferred tax liabilities	(24)	370	312
CURRENT LIABILITIES		7,306	5,383
Financial debt	(20)	32	84
Other financial liabilities	(25)	40	47
Lease liability	(15)	1,649	-
Income tax payable	(24)	142	153
Trade and other payables	(19)	5,443	5,099
TOTAL EQUITY AND LIABILITIES		**28,391**	**21,684**

Consolidated statement of cash flows

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2019	2018
PROFIT BEFORE TAXES AND NON-CONTROLLING INTEREST		**4,681**	**4,428**
Adjustments to profit			
Amortisation and depreciation	(7)	2,826	1,100
Foreign exchange translation differences		(19)	(33)
Provisions for impairment		244	20
Results from companies consolidated by equity method	(17)	(61)	(54)
Lease financial expenses	(8)	142	-
Other		90	(14)
Income tax		(1,207)	(1,070)
FUNDS FROM OPERATIONS		**6,695**	**4,378**
Variation in assets and liabilities			
Inventories		201	(70)
Receivables and other current assets		(10)	(142)
Current payables		14	(137)
CHANGES IN WORKING CAPITAL		**205**	**(349)**
CASH FLOWS FROM OPERATING ACTIVITIES		**6,900**	**4,029**
Payments relating to investments in intangible assets		(238)	(230)
Payments relating to investments in property, plant and equipment		(914)	(1,391)
Collections relating to divestments of property, plant and equipment		40	159
Collections relating investment in other financial investments		70	24
Payments relating investment in other assets	(18)	(7)	(23)
Collections relating investment in other assets	(18)	63	43
Changes in current financial investments		(1,390)	(457)
CASH FLOWS FROM INVESTING ACTIVITIES		**(2,377)**	**(1,875)**
Collections relating to non-current financial debt		-	4
Payments relating to non-current financial debt		(3)	(2)
Changes in current financial debt		(49)	73
Payments related to leases (fixed rents)		(1,836)	-
Dividends		(2,741)	(2,335)
CASH FLOWS USED IN FINANCING ACTIVITIES		**(4,629)**	**(2,260)**
Net increase in cash and cash equivalents		(106)	(106)
Cash and cash equivalents at the beginning of the year	(20)	4,866	4,931
Effect of exchange rate fluctuations on cash and cash equivalents		20	41
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(20)**	**4,780**	**4,866**

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 2018	94	20	13,747	90	183	(77)	(533)	(26)	13,497	25	13,523
Profit for the year	-	-	3,444	-	-	-	-	-	3,444	4	3,448
Distribute results	-	-	(42)	-	42	-	-	-	-	-	-
Distribute dividends	-	-	20	-	(20)	-	-	-	-	-	-
Transfers	-	-	(98)	-	-	-	98	-	-	-	-
Other movements	-	-	(27)	-	-	-	-	-	(26)	-	(26)
Argentina reexpresion	-	-	10	-	-	-	(5)	-	5	-	5
Other comprehensive income for the year	-	-	-	-	-	-	21	20	41	-	41
- Translation differences related to foreign operations	-	-	-	-	-	-	21	-	21	-	21
- Cash flow hedges	-	-	-	-	-	-	-	20	20	-	20
Operations with equity holders or owners	-	-	(2.335)	27	-	-	-	-	(2,308)	-	(2,308)
- Share-based collections	-	-	-	27	-	-	-	-	27	-	27
- Dividends	-	-	(2.335)	-	-	-	-	-	(2,335)	-	(2,335)
BALANCE AT 31 JANUARY 2019	94	20	14,719	117	206	(77)	(420)	(6)	14,653	30	14,683
BALANCE AT 31 JANUARY 2019	**94**	**20**	**14,719**	**117**	**206**	**(77)**	**(420)**	**(6)**	**14,653**	**30**	**14,683**
Adjustment on initial application of new Reporting standards (Note 2)			(670)						(670)		(670)
BALANCE AT 1 FEBRUARY 2019	**94**	**20**	**14,049**	**117**	**206**	**(77)**	**(420)**	**(6)**	**13,982**	**30**	**14,013**
Profit for the year	-	-	3,639	-	-	-	-	-	3,639	8	3,647
Distribute results	-	-	(54)	-	54	-	-	-	-	-	-
Distribute dividends	-	-	45	-	(45)	-	-	-	-	-	-
Transfers	-	-	50	(34)	-	-	(17)	-	-	-	-
Other movements	-	-	(28)	-	(1)	-	-	-	(29)	(2)	(30)
Argentina reexpresion	-	-	9	-	-	-	-	-	9	-	9
Other comprehensive income for the year	-	-	-	-	-	-	35	2	36	-	36
- Translation differences related to foreign operations	-	-	-	-	-	-	35	-	35	-	35
- Cash flow hedges	-	-	-	-	-	-	-	2	2	-	2
Operations with equity holders or owners	-	-	(2.718)	(25)	-	17	-	-	(2,726)	-	(2,726)
- Share-based collections	-	-	-	27	-	-	-	-	27	-	27
- Share-based payments	-	-	23	(53)	-	17	-	-	(13)	-	(13)
- Dividends	-	-	(2.741)	-	-	-	-	-	(2,741)	-	(2,741)
BALANCE AT 31 JANUARY 2020	**94**	**20**	**14,993**	**58**	**214**	**(60)**	**(402)**	**(4)**	**14,913**	**36**	**14,949**

Notes to the consolidated annual accounts of the Inditex Group

As at 31 january 2020

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A ("the Group", "the Group Inditex", "the Company" or "the Parent") for 2019 were prepared by the Board of Directors on 17 March 2020 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 2018 were approved by the shareholders at the Annual General Meeting held on 16 July 2019.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations (IFRIC and SIC) adopted by the European Union (EU- IFRS) 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 2019 will hereinafter be referred to as "2018", the twelve-month period ended 31 January 2020 as "2019", 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 2019 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 2020, 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 2019 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 IFRS, since these measures include information that is essential to assess the evolution of the Group.

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

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 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 amortisation, 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 amortisation.

- Profit before taxes (PBT): calculated as EBIT less Financial results and Result of companies accounted for using the equity method.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as PBT 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.

- Working capital: defined as Inventories plus Receivables minus Current Payables in the Balance Sheet.

- Net financial position: defined as Cash and Equivalents and Current financial investments less current and non-current financial debt, with explicit interest (without considering lease debt).

- Average net Financial debt: defined as Current and non-Current Financial Debt with explicit interest (without considering lease debt), less Cash and Cash equivalents and Current financial investments (considered zero if the result is negative).

- Store operating profit: income generated by sales as well as all expenses directly attributable and necessary to generate said income.

- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut-off.

In preparing the consolidated annual accounts as at 31 January 2020 estimates were made in order to measure certain 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 consideration of the online business in the model of the non-current assets impairment test.

- The determination of inventory costs and its net realizable value.

- 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 opinions related to determination of the lease term, as well as the estimation of the discount rates applied in the measurement of the liability under IFRS 16.

- The recovery of deferred tax assets.

These estimates were made using the best information available at the time of preparation of this consolidated annual accounts. 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. 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 main activity consists of offering latest fashion trends (apparel, footwear, accessories and home textiles) with high quality and sustainability standards, at attractive prices and inspired in customer requirements.

This activity is carried out through eight commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each format operates through an online and store model that is managed in a direct and integrated way, 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, except in certain markets where, for several reasons, the business is carried out 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.

In order to offer the latest fashion trends at the right time, meeting high standards of sustainability and with the required quality, at Inditex we have developed an integrated and flexible business model that is clearly customer-oriented.

This model helps face business environment challenges. The strong competitiveness in the sector, driven by new technologies and an increasingly awareness of environmental challenges, defines a context with a constantly evolving customer profile.

Furthermore, geopolitical, demographic and socioeconomic changes in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could affect the optimal achievement of our business targets. Business can also be affected by potential consequences of climate change, which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

The internationalisation policy, the Group's multi-brand format, its sustainable production commitments and the support for total integration of channels and new technologies as alternatives for customer communication and sales, represent a means of risk diversification that mitigates our overall exposure to risks in the market.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The sales and design teams are strongly focused on the customer and firmly committed to sustainability in the processes and materials used in our products. The permanent contact with stores and online teams by our team of designers, through the Product Management Department, helps them to learn about customer preferences. In addition, their active promotion and search for more sustainable materials and production processes help to raise standards of quality and to reduce the social and environmental impact of our activity.

Manufacture and supply have been designed with a mixed model which ensures reasonable flexibility to allow production to adapt to market demand. During 2019, 54% of the factories in which the Company has produced its articles are in proximity (in countries such as Spain, Portugal, Morocco and Turkey) with the remaining 46% being medium and long distance (57% and 43% of factories respectively in 2018). This enables us to achieve the capacity to adapt our own production or that of suppliers to the trend changes of each season, thus reducing the amount of leftovers from each campaign.

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every commercial format throughout every season. This system operates mainly with centralised logistics centres for every chain, where stocks are kept and which distribute the products to physical and online stores worldwide.

The people working in our Company make the sustained and sustainable development of this model possible: a diverse human team with 172 nationalities (154 nationalities in 2018), marked by its creative talent, its passion for fashion, teamwork, an enterprising spirit, permanent innovation and responsible effort.

Our goal is to provide fashion products that meet the most demanding sustainability and health and safety criteria, built on respect and promotion of Human Rights, transparency and continuous dialogue with stakeholders.

At 31 January 2020, the various Group concepts had stores in operation with the following geographical distribution:

	NUMBER OF STORES		
	COMPANY MANAGED	FRANCHISES	TOTAL
Spain	1,538	42	1,580
Rest of Europe	3,248	154	3,402
Americas	680	182	862
Rest of the World	891	734	1,625
TOTAL	**6,357**	**1,112**	**7,469**

At 31 January 2019, the geographical distribution of stores was as follows:

	NUMBER OF STORES		
	COMPANY MANAGED	FRANCHISES	TOTAL
Spain	1,593	42	1,635
Rest of Europe	3,233	145	3,378
Americas	660	184	844
Rest of the World	926	707	1,633
TOTAL	**6,412**	**1,078**	**7,490**

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 15.

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 Annex I.

For business combinations 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 recognised 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 recognised 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 recognised 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 recognis ed 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, except in the case of hyperinflationary countries, 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 recognised, 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 recognised in profit or loss for the year.

vi) Annual accounts in hyperinflationary economies

Since 1 August 2018 Argentina has been considered a hyperinflationary economy. Consequently, the Group's financial statements of Argentine subsidiaries (see Annex I) have been integrated into the consolidated financial statements by making the hyperinflation adjustments provided for in IAS 29 in order to reflect changes in the overall purchasing power of the Argentine currency, that is, the financial statements that were at historical values have been restated to current values, applying the corresponding general price index and converted to the Group's functional currency, considering the closing exchange rate between the euro and the Argentine peso.

General price indexes of general acceptance in Argentina have been used to restate the financial statements at current values. Specifically, the Wholesale Price Index for the balances prior to 2017 (IPM) and the Consumer Price Index (CPI) for the balances from 2017 onwards have been used.

In relation to the conversion to functional currency, a closing exchange rate of 66.96 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018.

Hyperinflation adjustment has not been significant in the Net Income attributed to the parent.

Following the recommendation of the IFRIC regarding the classification of translation differences prior to the consideration of Argentina as an hyperinflationary economy, these are classified under the heading Translation differences in the Statement of changes in equity.

There are no other companies in the consolidation perimeter of the Group, with the exception of Argentina, which have been considered 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 Annex 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

Annex I details all the companies in the consolidation perimeter. During fiscal year 2019, there were no significant changes in the perimeter.

2.2. Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2019

During fiscal year 2019, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2019:

IFRS 16 – Leases

IFRS 16 “Leases” replaced IAS 17 as well as its associated interpretations. The entry into force of IFRS 16 for the Group is 1 February 2019.

IFRS 16 introduces the principles for recognition, measurement, presentation and reporting of leases. IFRS 16 provides a single lessee accounting model, similar to the accounting of the financial leases of IAS 17. The lessee recognises a liability for the net present value of the lease payments and a right-of-use asset of the underlying asset during the lease term. It also changes the nature of the expenses concerning these leases, given that IFRS 16 replaces the straight-line expenses of the operating lease for an expense derived from depreciation of the recognised asset as an expense for liability-associated interest.

The application of IFRS 16 also has an impact on the figures reported in certain breakdowns such as segment reporting (Note 10), basic and diluted earnings per share (Note 9) and alternative measures of performance.

The leases recognised in which the Group acts as the lessee relate mainly to the premises where the stores are located and agreements guaranteeing access to and control over certain logistics facilities.

The lessee may choose not to apply the general criteria of IFRS 16 to short-term leases and to leases whose underlying asset is considered to be of low value. The Group only applies the exemption to leases whose underlying asset is considered to be of low value.

The Group has adopted the modified retrospective transition method with the cumulative effect of the initial application of the standard, recognised as an adjustment to reserves at 1 February 2019 and the comparative information has not been restated.

In turn, this transition method enables the asset to be valued retroactively as if the standard had applied since the beginning of the lease or, for an amount equal to the liability adjusted by the prepaid or accrued payments.

Likewise, the Group applied some of the simplifications associated to the transition method adopted. The most relevant are:

- the exclusion of the initial direct costs of measuring the right-of-use asset on the transition date;

- the application of a single discount rate for each similar lease portfolio, by market, term and currency;

- the determination of the lease term using the information known at transition date;

- the non-review of the right-of-use value impairment on the transition date.

IAS 17 did not require the recognition of any assets or liabilities for right of use for future payments for operating leases; however, it did require disclosure of lease commitments. The difference between this information on lease commitments (IAS 17) and the lease liability (IFRS 16) lies in the different periods considered, the non-cancellable period versus the lease term determined in accordance with IFRS 16, and the fact that the commitments disclosed in Note 24 of the consolidated financial statements for 2018 correspond to the nominal amounts of expected payments while the lease liability in IFRS 16 is determined by applying a discount rate to the expected payments. Thus, the minimum lease payments amounting to 4,954 million euros at 31 January 2019 are reduced by 325 million euros due to the effect of the financial discount and increased by 2,272 million euros mainly by incorporating the periods which are reasonably estimated to be additional to the mandatory period.

Result of implementation of the standard:

(AMOUNTS IN MILLIONS OF EUROS)	31-01-19	TRANSITION IFRS 16	01-02-19
ASSETS			
NON-CURRENT ASSETS	11,064	5,539	16,603
Rights over leased assets	464	(464)	0
Rights of use	-	5,849	5,849
Other intangible assets	346	(12)	334
Goodwill	206	-	206
Property, plant and equipment	8,339	-	8,339
Investment property	20	-	20
Financial investments	267	-	267
Other non-current assets	564	(58)	505
Deferred tax assets	858	225	1,083
CURRENT ASSETS	10,620	(70)	10,551
Inventories	2,716	-	2,716
Trade and other receivables	820	-	820
Income tax receivable	108	-	108
Other current assets	162	(70)	93
Other financial assets	20	-	20
Current financial investments	1,929	-	1,929
Cash and cash equivalents	4,866	-	4,866
TOTAL ASSETS	**21,684**	**5,470**	**27,154**
EQUITY AND LIABILITIES			
EQUITY	14,682	(670)	14,012
Equity attributable to the Parent	14,653	(670)	13,983
Equity attributable to non-controlling interests	30	-	30
NON-CURRENT LIABILITIES	1,618	4,572	6,190
Provisions	229	-	229
Other non-current liabilities	1,072	(746)	326
Lease liability	-	5,325	5,325
Financial debt	5	-	5
Deferred tax liabilities	312	(7)	304
CURRENT LIABILITIES	5,383	1,568	6,952
Financial debt	84	-	84
Lease liability	-	1,577	1,577
Other financial liabilities	47	-	47
Income tax payable	153	-	153
Trade and other payables	5,099	(9)	5,090
TOTAL EQUITY AND LIABILITIES	**21,684**	**5,470**	**27,154**

The Group's net cash position is not altered by IFRS 16; however, it does involve a change in the classification of the flows generated/consumed included in the consolidated cash flow statement since the flows associated with leases are presented as cash flows from financing activities whereas under IAS 17 they were classified as flows from operating activities.

The impact of implementation of IFRS 16 from 1 February 2019 on the consolidated income statement of 2019 is a higher net profit of 2,5%, compared to IAS 17.

Note 2.2.o details the accounting policy applied by the Group in relation to this standard and the main judgements and estimates made.

Other approved amendments applied from 1 January 2019:

- IFRIC 23 - Uncertainty about tax treatment. This interpretation clarifies how to apply the recording and measurement criteria in IAS 12 when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity. In this regard, the Group had already been evaluating the uncertainty related to each tax treatment individually for each jurisdiction where it operates, in a manner consistent with the requirements of IFRIC 23 - Uncertainty in Tax Treatment, which is why the application of this interpretation has had no impact on the consolidated financial statements.

- Amendments to IFRS 9 - Financial instruments. This amendment permits the measurement at amortised cost of certain financial assets that can be cancelled early for an amount that is less than the amount of the principal outstanding and interest on that principal.

- Amendment to IAS 28 - Non-current investments in associates and joint ventures which clarifies that IFRS 9 should be applied to non-current interests in an associate or joint venture if the equity method is not applied.

- Improvements to IFRSs Cycle 2015-2017, which introduces minor amendments to a series of standards, including amendments to IFRS 3 Business Combinations in relation to the acquisition of joint control over a joint operation that constitutes a business, amendments to IAS 12 Income Taxes in relation to the recognition of the tax impact of remuneration for financial instruments classified as equity and amendments to IAS 23 Borrowing Costs in relation to the capitalisation of interest on outstanding financing specific to an asset that is ready for use and IFRS 11 Joint Ventures in relation to the acquisition of joint control over a joint operation that constitutes a business.

- Amendment to IAS 19 - Amendment, reduction or liquidation of a plan. In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses to determine the cost of services and net interest for the period after the change of plan.

The application of these amendments and/or interpretations, except for IFRS 16, did not have a material effect on the Group's consolidated annual accounts for 2019.

Standards and amendments issued and approved for application in the EU in reporting periods beginning on or after 1 January 2020

- Amendment to IAS 1 and IAS 8 Definition of materiality, to align the definition with that contained in the conceptual framework. Mandatory in the years beginning on 1 January 2020.

- Amendments to IFRS 9, IAS 39 and IFRS 7 - Reform of Reference Interest Rates. Mandatory in the years beginning on 1 January 2020.

- Amendment to the references of the Conceptual Framework in the IFRS standards. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the standards and amendments to the existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date on which their application becomes mandatory in the European Union.

Standards issued and pending approval for use in the European Union

At the date of preparation of these consolidated annual accounts, the following standards and/or amendments to the standards with potential impact for the Group had been issued by the IASB but were pending approval for their use in the European Union.

- IFRS 17 - Insurance contracts. Replaces IFRS 4, incorporating the principles of registration, measurement, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows users of the information to determine the effect that the contracts have on the financial statements. Mandatory in the years beginning on 1 January 2021.

- Amendment to IFRS 3 - Business definition, which includes clarifications to the business definition. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory 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 (except in the case of hyperinflationary countries). 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 recognised 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 recognised (see Note 2.2.f).

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 (YEARS)
Buildings	25 TO 50
Fixtures, furniture and machinery	8 TO 20
Other property, plant and equipment	4 TO 13

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 recognised in profit or loss as they are incurred.

c) 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.

d) 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 recognised.

e) 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 recognised. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets (see Note 2.2.f).

f) 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

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 recognised using the same methodology.

The determination of the assets associated with each CGU includes the right of use associated with the lease contracts (in the case of leased premises), net of the associated liability.

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 10-year bonds issued by the governments in the relevant markets (or similar instruments, if no 10-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::

	2019 AVERAGE	2018 AVERAGE
Spain	5.10%	5.31%
Rest of Europe	6.06%	6.40%
Americas	9.95%	10.20%
Asia and rest of the world	6.93%	6.76%

The results obtained from the 2019 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Note 13, Note 14 and Note 15 to the consolidated annual accounts relating to property, plant and equipment, other intangible assets and right of use assets.

The related charge for the period amounting to EUR 34 million (see Notes 7, 13, 14 and 15) is due primarily to the impairment corresponding to the closures scheduled and the impairment calculated based on the methods described previously.

Impairment losses reversed in the period amounting to EUR 26 million (see Notes 7,13,14 and 15)correspond to those CGUs for which impairment had been recognised 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 recognised 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 1 million and EUR 1 million, respectively (EUR 1 million and EUR 2 million, respectively, in 2018).

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 2019 and 2018 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 for each of the above hypotheses independently, would not imply any additional impairment in 2019 neither 2018.

Reversals of impairment losses

Reversals of impairment losses on non-current assets are recognised with a credit to "Depreciation and Amortisation Charge" in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortisation, had the impairment loss never been recognised, 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 CGU 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 recognised for goodwill must not be reversed in a subsequent period.

g) Trade and other receivables

Receivables are initially recognised at fair value and subsequently at their amortized cost in accordance with the effective interest rate method, less the provision for losses through impairment.

A provision for impairment losses of trade receivables is established when the requirements set out in section l) Financial instruments are complied with. The amount of the provision is recognised in the income statement.

h) 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.

i) 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 recognised in the consolidated balance sheet as financial liabilities relating to bank borrowings.

j) 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 2020.

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 recognised with a credit to liability and equity accounts in the period in which the costs are incurred.

k) Provisions and contingent liabilities

Provisions are recognised 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 recognised.

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 recognised 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.

l) Financial instruments

Financial assets

The Group's financial assets are maintained within a business model that aims to collect the contractual cash flows of financial assets, which are exclusively the principal and interest. For this reason, all of the Group's financial assets are valued after the initial recording at amortized cost, with the exception of bonds and derivative financial instruments, which are valued at their fair value.

Financial assets recognised at amortized cost: The amortized cost is determined using the effective interest rate method, which is the discount rate that equals the value of all future expected cash flows of a financial asset during its remaining life, excluding losses for impairment, to the value of said financial asset at the time of initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss. The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the year 2019 of the effective interest rate method is not relevant.

Financial assets measured at fair value: Derivative financial instruments, which are maintained within the exchange rate risk hedging policy, are valued at their fair value. On the other hand, securities (which for the most part correspond to the guarantees of compliance with lease contracts for premises) are valued at their fair value, which does not differ significantly from the value of the consideration given.

Impairment of financial assets

The Group recognizes a provision for impairment for financial assets recognised at amortized cost. This provision is updated at each closing date to reflect changes in the credit risk of each financial instrument since its initial recognition.

The Group's policy is to recognize the credit losses expected at 12 months, provided that:

- The credit risk is low at the time of initial recognition of the financial asset.

- The credit risk has not increased significantly since recognition date.

Otherwise, the Group would recognize the expected loss during the life of the financial asset. In such case, interest is calculated on the gross value of the financial asset. Additionally, if after the significant increase in credit risk, objective evidence of impairment of the financial asset is shown, interest is calculated considering the value of the financial asset, net of the recognised impairment. On the other hand, it is considered that a financial asset is unpaid when its expiration date has not been reimbursed.

For the assessment of the credit risk of financial instruments other than accounts receivable of commercial origin (see Note 25), the Group has defined its own methodology based on the determination of credit risk indexes for each counterparty based on the use of market information on the credit quality of the counterparties (information such as the ratings assigned by credit agencies) and that allows the assessment of the credit risk of the counterparty at the time of the initial recognition of the financial assets and determine whether, on each closing date, there has been a significant increase in the credit risk on said financial assets or if the counterparty has incurred default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the credit risk of the counterparties. Likewise, this methodology includes the determination of indices for each counterparty to determine the expected loss at 12 months or during the life of the asset based on the exposure to credit risk of each counterparty. The amount of estimated impairment loss is not significant, since almost all financial assets have a low credit risk.

In turn, for accounts receivable of commercial origin (see Note 11), the Group has a methodology analogous to the one described above (Note 25), although in this case the measurement of credit risk of the counterparties is based on factors that affect the ability of debtors to meet payment obligations, such as factors of the economic environment where they operate or the history of defaults of the counterparty with the Group.

Likewise, a commercial debtor is considered to have incurred non-payment when it has not met its obligations at maturity, in which case a provision is established based on seniority for the past due balances held with said debtor.

Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when the contractual rights to receive cash flows from the asset expire or when substantially all the risks and benefits associated with their property are transferred to another entity.

m) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognised 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 recognised in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognised 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 recognised. Also, gains or losses recognised 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 recognised, 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. Also, the ineffective portion of the hedging instrument is recognised 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, 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 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.

Cross-Currency Swap

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.

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 price of the underlying, the strike price, the time to maturity and the volatility of the underlying. The credit adjustment is carried out by direct discounting with credit spread method curves.

n) Revenue recognition

Sales of goods are recognised when obligations of commitment to customers are fulfilled, which, in general, occur at the moment in which the merchandise is delivered to the customer and, simultaneously, the customer receives the consideration. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the 2019 fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised following the same criteria mentioned above. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

Rental income is recognised on a straight-line basis, over the term of the leases.

In the accompanying consolidated balance sheet no assets have been recorded by contract.

There are no significant contracts with financing components.

o) Leases

At the start date of each contract, the Group assesses whether a contract is or contains a lease. For those contracts that qualify as such, the Group recognises a liability for the present value of the lease payments known at the inception of the lease to be made over the term of the lease and an asset for the right to use the underlying asset over the lease term. Assets for rights of use are measured at cost (which includes initial direct costs incurred, any lease payments made before or at the inception of the lease less incentives received) less accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The rights of use are amortised on a straight-line basis over the term of the lease.

The right to use the asset is presented under the "Rights of use" heading in the consolidated balance sheet.

The lease liability is initially measured at the present value of the known lease payments, except for those made before or at the commencement date of the contract. The present value of the lease liability is determined using an incremental interest rate by country, term and currency, based on the type of assets leased.

The lease payments included in the liabilities comprise:

- Fixed payments (including fixed payments in essence), less any incentive to lease receivables;

- Variable lease payments, which depend on an index or rate;

- Amounts the lessee expects to pay as residual value guarantees;

- The exercise price of a call option if the lessee is reasonably sure of exercising that option;

- Payments for penalties resulting from lease termination, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

Variable lease payments, which do not depend on an index or rate, are not included in the measurement of the lease liability and the right to use the asset, are recorded as an operating expense as they accrue.

The contingent rents, common expenses and other expenses related to the lease do not form part of the determination of the lease liability and of the right of use, and the same accounting criteria are used as under IAS 17. Fixed-rent payments are replaced by the depreciation of the right of use and the interest recognised over the lease liability.

The lease liability is presented in two separate lines on the consolidated Balance sheet, "Long-term lease liability" for the liability to be settled over a period exceeding 12 months and "Short-term lease liability" for the portion to be settled in the next 12 months.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes the corresponding adjustment to the right of use) when:

- There is a change in the term of the lease or a significant change in facts and circumstances that results in a change in the assessment of the exercise of a purchase option, in which case the lease liability is measured by discounting the revised payments at the revised discount rate.

- A change in future lease payments results from a change in an index or a change in the expected payables related to a residual value guarantee, in which case the lease liability is measured by discounting the changed payments at the discount rate before the change.

- A lease is amended and the amendment is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments at a revised discount rate.

The Group applies the exemption relating to leases whose underlying asset is considered to be of low value. For these contracts, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the contract.

The Group applies IAS 36 to determine whether the right to use the asset is impaired, following the procedures described in section f) "Impairment of non-current assets" of this note on accounting principles. In particular, the right of use arising under a lease agreement is deemed to be an asset of the cash-generating unit with which it is associated and the associated lease liability is deemed to be an asset of the cash-generating unit.

Application of IFRS 16 requires significant judgements regarding certain key estimates, such as determination of the lease term and the discount rate.

To determine the lease term there is an assessment of whether the lessee has reasonable certainty that he will exercise the lease extension option, or that he will not exercise the option to terminate the lease. The Group determines the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is reasonable certainty of execution, and for which the following aspects are considered:

- The costs related to contract termination;

- The importance of the leased asset for the Group's operations;

- The conditions to be complied with in order to exercise or not exercise the options;

- The historical experience and the business plans approved by the Group's management, which generally cover a 3-year period.

The present value of the lease liability is determined using the implicit interest rate in the lease, and if this cannot be easily determined the lessee will use its incremental debt interest rate. Given the difficulty of determining the implicit interest rate of each lease, the Group uses its incremental borrowing rate by market, term and currency, based on the type of assets leased. The average weighted rate according to the lease of each contract by geographical area is as follows:

Spain	0.45%
Rest of Europe	1.00%
Americas	4.16%
Asia and Rest of the World	3.10%

The Group performs very active management of its lease agreements, which leads to a high volume of additions, removals and contractual amendments. These amendments will add an additional variability factor to the Group's trading figures.

p) Finance income and costs

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

q) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognised 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 consolidated 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in the consolidated balance sheet under non-current assets and liabilities, irrespective of the expected date of realisation or settlement.

r) 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.

s) 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 2019 and 2018 is as follows:

	2019	2018
Net sales in company-managed stores and online	25,933	24,025
Net sales to franchises	2,088	1,887
Other sales and services rendered	264	233
TOTAL	**28,286**	**26,145**

The Group's Management considers that there are no differentiated income categories with respect to the way in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors. This consideration is consistent with the breakdown of revenues by operating segments (Note 10).

In FY2019, online sales grew 23% to €3.9 billion, 14% of net sales.

4. Cost of sales

The detail of this line item in 2019 and 2018 is as follows:

	2019	2018
Raw materials and consumables	12,033	11,360
Change in inventories	202	(52)
Change in provisions	245	21
TOTAL	**12,479**	**11,329**

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.h).

Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of € 287m to account for the impact that the Covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020.

5. Operating expenses

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

	2019	2018
Personnel expenses	4,430	4,136
Operating leases (Note 15)	695	2,392
Other operating expenses	3,051	2,801
TOTAL	**8,176**	**9,329**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2020 is as follows:

	GENDER		
CATEGORIES	W	M	TOTAL
Manufacturing and logistics	4,783	5,894	10,678
Central services	7,034	4,423	11,457
Stores	121,648	32,828	154,476
TOTAL	**133,465**	**43,146**	**176,611**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2019 is as follows:

	GENDER		
CATEGORIES	W	M	TOTAL
Manufacturing and logistics	4,713	5,903	10,616
Central services	7,165	4,486	11,651
Stores	119,507	32,612	152,119
TOTAL	**131,385**	**43,001**	**174,386**

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

OTHER OPERATING EXPENSES	2019	2018
Indirect Selling Expenses	1,553	1,408
Administrative Expenses	632	578
Maintenance, Repairs and Utilities	498	463
Other	368	352
TOTAL	**3,051**	**2,801**

"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 recognised as a liability and changes are recognised 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 Company holds a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non-controlling shareholder. The strike price is set on the basis of the non-controlling shareholders’ 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.

7. Amortisation and depreciation

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

	2019	2018
Amortisation and depreciation charge (Note 13, 14 and 15)	2,824	1,206
Variation in impairment losses (Note 13, 14 and 15)	8	(1)
Profit/(loss) on assets	5	(109)
Other	(11)	4
TOTAL	**2,826**	**1,100**

8. Financial results

The detail of “Financial Results” in the consolidated income statement for 2019 and 2018 is as follows:

	2019	2018
Finance income	31	29
Foreign exchange gains	16	64
Lease foreign exchange gains	1	-
TOTAL INCOME	48	92
Finance costs	(14)	(15)
Lease finance costs (Note 15)	(142)	-
Foreign exchange losses	(39)	(61)
Lease foreign exchange losses	(5)	-
TOTAL EXPENSES	(200)	(76)
TOTAL	**(152)**	**17**

Finance income and costs comprise mainly (excluding Lease finance costs) the interest accrued on the Group’s financial assets and liabilities during the year (see Note 20). 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 23), which totalled 3,114,384,195 in 2019 and 3,113,701,857 in 2018.

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 of the ordinary shares outstanding for the dilutive effects of the potential ordinary shares.

As of 31 January 2020, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 23), the calculation of diluted earnings per share would result in an amount of EUR 1.168 per share (1.105 as of 31 January 2019).

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.

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

2019

	ZARA / ZARA HOME	BERSHKA	OTHER	INTER-SEGMENT	TOTAL
Sales to third parties	19,685	2,385	6,340	(124)	28,286
Profit before taxes	3,370	349	962	-	4,681
Amortisation and depreciation	1,873	258	688	7	2,826
Segment total assets	22,707	1,440	4,244	-	28,391
ROCE	30%	39%	36%	-	32%
Number of stores	2,866	1,107	3,496	-	7,469

2018

	ZARA / ZARA HOME	BERSHKA	OTHER	INTER-SEGMENT	TOTAL
Sales to third parties	18,127	2,240	5,886	(109)	26,145
Profit before taxes	3,181	329	918	(1)	4,428
Amortisation and depreciation	710	111	279	1	1,100
Segment total assets	17,345	1,057	3,282	-	21,684
ROCE	28%	50%	43%	-	31%
Number of stores	2,862	1,107	3,521	-	7,490

For presentation purposes Inditex has integrated the reporting of Zara Home into Zara due to the existing synergies between both concepts. The goal is to leverage the operational and brand management of the combined store and online platform.

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been 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 condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the consolidated income statement. 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. Inter-segment transactions are carried out on an arm´s length basis.

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

The ROCE and ROE are 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. Zara Home sells fashionable household 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 Other Non-Current Assets.

	NET SALES		NON-CURRENT ASSETS	
	2019	2018	31/01/2020	31/01/2019
Spain	4,766	4,557	4,613	3,486
Rest of Europe	13,682	12,388	6,474	3,725
Americas	4,434	4,033	2,538	1,567
Asia and rest of the world	5,403	5,167	1,661	864
TOTAL	**28,286**	**26,145**	**15,285**	**9,642**

11. Trade and other receivables

The detail of this line item at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Trade receivables	226	229
Receivables due to sales to franchises	272	229
Public entities	179	218
Other current receivables	103	144
TOTAL	**780**	**820**

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 15) and outstanding balances from sundry operations.

12. Inventories

The detail of this line item at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Raw materials and consumables	104	111
Goods in process	36	35
Finished goods for sale	2,129	2,570
TOTAL	**2,269**	**2,716**

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

Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of € 287m to account for the impact that the Covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020.

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 01/02/2018	2,080	10,425	677	387	13,568
Acquisitions	26	1,114	274	319	1,733
Hyperinflation adjustments	5	19	2	-	26
Disposals	(43)	(606)	(164)	(1)	(814)
Transfers	24	231	16	(271)	-
Foreign exchange translation differences	43	40	(2)	2	82
BALANCE AT 31/01/2019	**2,134**	**11,222**	**802**	**436**	**14,595**
Balance at 01/02/2019	2,134	11,222	802	436	14,595
Acquisitions	22	781	258	113	1,174
Hyperinflation adjustments	2	10	1	-	12
Disposals (Note 7)	(18)	(494)	(194)	(1)	(706)
Transfers	148	176	8	(331)	1
Foreign exchange translation differences	21	78	4	1	104
BALANCE AT 31/01/2020	**2,308**	**11,773**	**879**	**219**	**15,179**
Depreciation					
Balance at 01/02/2018	354	5,101	334	-	5,789
Depreciation charge for the year	35	812	201	-	1,048
Hyperinflation adjustments	1	15	2	-	18
Disposals	(17)	(530)	(157)	-	(705)
Transfers	41	(41)	-	-	-
Foreign exchange translation differences	4	15	-	-	18
BALANCE AT 31/01/2019	**418**	**5,371**	**379**	**-**	**6,168**
Balance at 01/02/2019	418	5,371	379	-	6,168
Depreciation charge for the year (Note 7)	41	857	246	-	1,144
Hyperinflation adjustments	1	6	1	-	7
Disposals (Note 7)	(6)	(414)	(186)	-	(607)
Transfers	-	(1)	-	-	(1)
Foreign exchange translation differences	2	32	2	-	36
BALANCE AT 31/01/2020	**456**	**5,851**	**442**	**-**	**6,749**
Impairment losses (Note 2.2-f)					
Balance at 01/02/2018	1	129	6	-	136
Charge for the year	-	48	2	-	51
Amounts charged to profit or loss	-	(51)	(1)	-	(52)
Disposals	-	(44)	(4)	-	(48)
BALANCE AT 31/01/2019	**1**	**83**	**3**	**-**	**87**
Balance at 01/02/2019	1	83	3	-	87
Charge for the year (Note 7)	-	33	1	-	34
Amounts charged to profit or loss (Note 7)	-	(26)	(1)	-	(26)
Disposals (Note 7)	(1)	(15)	(5)	-	(21)
Foreign exchange translation differences	-	1	-	-	1
BALANCE AT 31/01/2020	**-**	**76**	**(1)**	**-**	**75**
Carrying amount					
BALANCE AT 31/01/2019	**1,715**	**5,768**	**419**	**436**	**8,339**
BALANCE AT 31/01/2020	**1,852**	**5,845**	**438**	**219**	**8,355**

“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.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,911 million and EUR 1,930 million at 31 January 2020 and 31 January 2019, 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.f).

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

Under the heading “Rights over leased assets” were the amounts paid for access to commercial premises under a lease as a transfer right, access premium, waiver of rental rights or compensation. The disposals in 2019 correspond to the implementation of IFRS 16.

“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.f).

The detail of the items comprised under this paragraph in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	RIGHTS OVER LEASED ASSETS	PATENTS AND SIMILAR INTANGIBLES	SOFTWARE	OTHER INTANGIBLE ASSETS	TOTAL
Cost					
Balance at 01/02/2018	981	33	240	183	1,437
Acquisitions	64	2	111	101	278
Hyperinflation adjustments	1	-	-	-	1
Disposals	(99)	(3)	(2)	(76)	(180)
Transfers	(17)	-	-	-	(17)
Foreign exchange translation differences	9	-	-	-	9
BALANCE AT 31/01/2019	**938**	**32**	**349**	**208**	**1,528**
Balance at 01/02/2019	938	32	349	208	1.528
Adjustment on initial application of IFRS 16 (Note 2)	(938)	-	-	(12)	(950)
Acquisitions	-	2	140	93	235
Disposals (Note 7)	-	-	(12)	(82)	(94)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
BALANCE AT 31/01/2020	**-**	**33**	**463**	**207**	**702**
Amortisation					
Balance at 01/02/2018	502	22	96	82	703
Amortisation charge for the year	36	2	40	80	158
Hyperinflation adjustments	1	-	-	-	1
Disposals	(79)	(3)	(1)	(75)	(159)
Foreign exchange translation differences	2	-	-	-	2
BALANCE AT 31/01/2019	**462**	**21**	**135**	**87**	**705**
Balance at 01/02/2019	462	21	135	87	705
Adjustment on initial application of IFRS 16 (Note 2)	(462)	-	-	-	(462)
Amortisation charge for the year (Note 7)	-	2	67	90	159
Disposals (Note 7)	-	-	(12)	(83)	(95)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
BALANCE AT 31/01/2020	**-**	**22**	**175**	**95**	**292**
Impairment losses (note 2.2.f)					
Balance at 01/02/2018	22	-	-	-	23
Impairment charge for the year	2	-	-	-	2
Amounts charge to profit or loss	(2)	-	-	-	(2)
Disposals	(10)	-	-	-	(10)
BALANCE AT 31/01/2019	**12**	**-**	**-**	**-**	**12**
Balance at 01/02/2019	12	-	-	-	12
Adjustment on initial application of IFRS 16 (Note 2)	(12)				(12)
BALANCE AT 31/01/2020	**-**	**-**	**-**	**-**	**-**
Carrying amount					
BALANCE AT 31/01/2019	**464**	**11**	**214**	**121**	**810**
BALANCE AT 31/01/2020	**-**	**10**	**288**	**112**	**410**

The Group capitalized EUR 140 million in 2019 (EUR 111 million in 2018) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 93 million (EUR 101 million in 2018) 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. Leases

This heading records the measurement of the right to use the asset underlying the lease contracts during the term of the contract, for those contracts in which the Group is the lessee.

15.1. Right of Use Assets

COST	
Balance at 01/02/2019	-
Adjustment on initial application of IFRS 16 (Note 2.2)	5,849
Acquisitions	1,643
Disposals (Note 7)	(69)
Transfers	92
Foreign exchange translation differences	56
BALANCE AT 31/01/2020	**7,571**

AMORTISATION	
Balance at 01/02/2019	-
Amortisation charge for the year	1,521
Disposals	(26)
Transfers	25
Foreign exchange translation differences	8
BALANCE AT 31/01/2020	**1,528**

BALANCE AT 31/01/2020	**6,043**

The Group leases commercial premises in which it carries out its business activity. The changes for the year relate mainly to new leases and to the impacts associated with the revaluation of extension or exit options that have been exercised and with the renegotiation of agreements that modify the term and/or future rent.

The amount of income from leasing and subleasing is not significant.

15.2. Lease liabilities

The breakdown of lease liabilities is as follows:

Non-current	5,163
Current	1,649
TOTAL	**6,812**

The breakdown of maturity is as follows:

2019	LESS THAN ONE YEAR	ONE TO FIVE YEARS	OVER FIVE YEARS
Lease payments	1,649	3,661	1,502

15.3. Other information

Amounts recognized in the consolidated income statement:

	2019
Amortisation Right of Use (Note 7)	1,521
Lease finance cost (Note 8)	142
Variable rent payments (Note 5)	495
Others * (Note 5)	200

* Mainly includes Common Expenses and other lease services.

Some of the Group's commercial premises leases contain conditions for the payment of variable rent that are linked to the sales generated in such stores, such that the payment for the lease is linked to the development of the store. Variable rent in these stores amounted to 479 million euros.

The amount of income from leasing and subleasing is not significant.

16. Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	2019	2018
Opening balance	206	207
Acquisitions	-	-
Foreign exchange translation differences	1	(1)
CLOSING BALANCE	**207**	**206**

INVESTEE	2019	2018
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	34	34
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	11	10
Zara Eslovenia	9	9
Zao Zara CIS	10	9
Others	19	18
CLOSING BALANCE	**207**	**206**

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.f).

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.f).

17. Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	LOANS AND OTHER CREDIT FACILITIES	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	OTHERS	TOTAL
Balance at 01/02/2018	21	214	2	237
Acquisitions	-	54	-	54
Disposals	(4)	(20)	-	(24)
Foreign exchange traslation differences	(2)	2	-	-
BALANCE AT 31/01/2019	15	249	2	267
Balance at 01/02/2019	15	249	2	267
Acquisitions	-	61	-	61
Disposals	(9)	(60)	-	(70)
Transfers	(6)	-	-	(6)
Foreign exchange translation differences	-	(4)	-	(4)
BALANCE AT 31/01/2020	1	246	2	249

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.

18. Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	GUARANTEES	OTHER	TOTAL
Balance at 01/02/2018	457	62	520
Acquisitions	9	14	23
Disposals	(40)	(2)	(43)
Profit/(Loss) for the year	-	44	44
Transfers	(1)	13	12
Foreign exchange translation differences	7	1	8
BALANCE AT 31/01/2019	432	132	564
Balance at 01/02/2019	432	132	564
Adjustment on initial application of IFRS 16 (Note 2.2)	-	(58)	(58)
Acquisitions	7	-	7
Disposals	(63)	-	(63)
Transfers	-	4	4
Foreign exchange translation differences	2	-	2
BALANCE AT 31/01/2020	378	78	456

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 15), and to amounts paid to secure compliance with contracts in force.

19. Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Trade payables	3,985	3,744
Personnel	491	426
Public entities	516	465
Other current payables	451	463
TOTAL	5,443	5,099

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

	2019	2018
	DAYS	
Average period of payment to suppliers	36.31	35.51
Ratio of transactions settled	36.44	35.45
Ratio of transactions not yet settled	34.71	36.38
	AMOUNT	
Total payments made	3,421	3,267
Total payments outstanding	265	218

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

20. Net financial position

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

	31/01/2020	31/01/2019
Cash in hand and at banks	1,792	1,511
Short-term deposits	2,788	3,244
Fixed-income securities	200	110
TOTAL CASH AND CASH EQUIVALENTS	**4,780**	**4,866**
Current financial investments	3,319	1,929
Current financial debt	(32)	(84)
Non-current financial debt	(6)	(5)
NET FINANCIAL POSITION	**8,060**	**6,705**

"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 other financial operations is as follows:

	31/01/2020		
	CURRENT	NON-CURRENT	TOTAL
Loans	26	-	26
Other Financial operations	6	6	13
TOTAL	**32**	**6**	**39**

	31/01/2019		
	CURRENT	NON-CURRENT	TOTAL
Loans	82	-	82
Other Financial operations	2	5	8
TOTAL	**84**	**5**	**90**

At 31 January 2020, the Group had a limit of EUR 6,464 million on its drawable financing facilities (EUR 6,248 million at 31 January 2019). These include supply chain finance support programs, 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:

	31/01/2020	31/01/2019
Euro	16	9
Turkish lira	2	2
British pound	19	75
Indian rupee	2	3
	39	**90**

The maturity schedule of the Group's bank borrowings at 31 January 2020 and 2019 was as follows:

	31/01/2020	31/01/2019
Less than one year	32	85
Between one and five years	6	5
	39	**90**

21. Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	PENSIONS AND SIMILAR OBLIGATIONS WITH PERSONNEL	LIABILITY	OTHER PROVISIONS	TOTAL
Balance at 01/02/2018	92	93	74	259
Provisions recorded during the year	23	7	3	33
Disposals	(2)	(19)	(3)	(24)
Transfers	(44)	5	(4)	(43)
Foreign exchange translation differences	-	-	5	5
BALANCE AT 31/01/2019	**69**	**85**	**74**	**229**
Balance at 01/02/2019	69	85	74	229
Provisions recorded during the year	10	15	-	26
Disposals	(2)	(12)	-	(14)
Transfers	(24)	1	-	(24)
Foreign exchange translation differences	-	(2)	2	-
BALANCE AT 31/01/2020	**53**	**87**	**76**	**217**

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 2020. The estimated average period of disbursement of the provisioned amounts is around 3 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.

22. Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	LEASE INCENTIVES	OTHER	TOTAL
Balance at 01/02/2018	917	89	1,005
Acquisitions	136	-	136
Changes through profit or loss	25	14	39
Transfers	(99)	(14)	(112)
Foreign exchange translation differences	4	-	4
BALANCE AT 31/01/2019	**983**	**89**	**1,072**
Balance at 01/02/2019	983	89	1,072
Adjustment on initial application of IFRS 16 (Note 2.2)	(746)	-	(746)
Acquisitions	103	-	103
Changes through profit or loss	-	25	25
Transfers	(52)	(25)	(78)
Foreign exchange translation differences	4	-	4
BALANCE AT 31/01/2020	**291**	**89**	**380**

The derecognition of the item Lease incentives is due to the implementation of IFRS 16.

23. Capital and reserves

Share capital

At 31 January 2020 and 2019, 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 2020 and 2019 amounted to EUR 20 million, while retained earnings amounted to EUR 19,850 million and EUR 12,130 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 2020 and 2019, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2020 include restricted reserves amounting to EUR 618 million (EUR 529 million at 31 January 2019) 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 2019 Inditex has 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 2020 and 2019, 59.371% and 59.364% respectively of the Parent's share capital (see Note 29). At 31 January 2020 and 2019, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2019 and 2018 amounted to EUR 2,741 million and EUR 2,335 million, respectively. These amounts correspond to payments of EUR 0.88 per share in 2019 and EUR 0.75 per share in 2018.

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

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26 of the 2018 consolidated annual accounts) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Likewise, the Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2019, the Company owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Subsequently, in 2019, the first cycle (2016-2019) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of the first cycle of the Plan. Consequently, at 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

24. Income taxes

Companies included in the Consolidated Financial Statements pay the Corporate Income Tax individually, except for certain countries (like Spain, Portugal or Netherlands) where they pay taxes under the consolidated tax group regime.

In the case of Spain, the consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated tax groups. The subsidiaries composing the aforementioned Spanish tax group are as follows:

Bershka BSK España, S.A.	Hampton, S.A.	Oysho España, S.A.	Tordera Logística, S.L.
Bershka Diseño, S.L.	Indipunt, S.L.	Oysho Logística, S.A.	Trisko, S.A.
Bershka Logística, S.A.	Inditex, S.A.	Plataforma Cabanillas, S.A.	Uterque 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.
Grupo Massimo Dutti, S.A.			

The balance of the "Current Liability for Income Tax" heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profits for the year 2019, net of withholdings and prepayments made in the period. The heading "Creditors" includes the liability corresponding to other applicable taxes.

The balance of "Current Asset for Income Tax" in the consolidated balance sheet corresponds, mainly, to amounts to be recovered from tax authorities for such concept. The balance of the "Accounts Receivable" heading in the accompanying consolidated balance sheet mainly includes the amount by which the input VAT exceeded output VAT for the period.

The income tax expense includes both the part concerning expense for current tax and the corresponding expense for deferred tax. The current tax is the amount to be paid for the income tax related to the fiscal gain of the period and for other fiscal charges derived from compliance with the regulations that regulate the income tax. The deferred tax reflects the amounts of tax on the profits to be paid or recovered in future periods and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2019	2018
Current taxes	1,123	1,045
Deferred taxes	(89)	(65)

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 2019 and 2018 is as follows:

	2019	2018
Consolidated accounting profit for the year before taxes	4,681	4,428
Tax expense at tax rate in force in the country of the Parent	1,170	1,107
Net permanent differences	(141)	(140)
Effect of application of different tax rates	(94)	(74)
Adjustments to prior years' taxes	7	6
Tax withholdings and other adjustments	105	85
Adjustments to deferrred tax assets and liabilities	4	2
Tax withholdings and tax benefits	(17)	(7)
INCOME TAX EXPENSE	**1,034**	**980**

The permanent differences correspond, mainly, to expenses not tax deductible and to tax revenues for the contribution of rights to use certain assets to a subsidiary.

The companies that make up the consolidated Group have benefited from the tax benefits provided for in the tax regulations in force in each country amounting to 17 million euros (7 million euros as of 31 January 2019). These deductions and bonuses derive, fundamentally, from investments, the correction of double taxation and, to a lesser extent, bonuses.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The consolidated balance sheet closed as of 31 January 2020 includes the assets and liabilities for deferred taxes existing 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:	2019	2018
Provisions	134	134
Non-current assets	167	142
Lease incentives	-	57
IFRS 16	350	-
Valuation adjustments	102	50
Tax losses	56	73
Intra-Group transactions	229	239
Other	197	163
TOTAL	**1,236**	**858**

DEFERRED TAX LIABILITIES ARISING FROM:	2019	2018
Leases	-	-
Intra-Group transactions	135	140
IFRS 16	46	-
Non-current assets	93	75
Valuation adjustments	5	15
Other	90	82
TOTAL	**370**	**312**

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 2019 and 2018 were as follows:

DEFERRED TAX ASSETS ARISING FROM:	2019	2018
Opening balance	858	744
Charge/Credit to profit or loss	93	117
Charge/Credit to equity	227	(5)
Transfers	58	2
CLOSING BALANCE	**1,236**	**858**

DEFERRED TAX LIABILITIES ARISING FROM:	2019	2018
Opening balance	312	268
Charge/Credit to profit or loss	5	52
Charge/Credit to equity	(5)	(10)
Transfers	58	2
CLOSING BALANCE	**370**	**312**

The changes in deferred tax assets and liabilities booked against equity mainly relate to the transition adjustment to the new IFRS accounting rule on leases (IFRS 16) as detailed in the Note 2.2, Accounting policies of these consolidated financial statements.

As of 31 January 2020, the Group has tax losses subject to compensation with future benefits amounting to EUR 354 million (EUR 398 million at 31 January 2019). Within the breakdown of assets for deferred taxes previously indicated, those corresponding to tax losses pending to be offset are included, with a balance of EUR 56 million at 31 January 2020 (EUR 73 million at 31 January 2019). The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 2.2.f), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account. Thus, the balance of deferred tax assets recorded in the balance sheet is the result of the aforementioned analysis of the total amount of tax losses that the Group has declared at year end that, for the most part, are not subject to a period of effective compensation.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 107 million.

On the other hand, in accordance with the tax legislation applicable to the parent company of the Group, the dividends proposed or declared to the shareholders of said company, before the financial statements have been formulated and that have not been recognized as liabilities, do not generate Consequences in the Income Tax of the parent company.

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. At present, verification actions are being carried out on different Group companies, among which we highlight those domiciled in Spain, Korea and the United States. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

Lastly, these financial statements include the effect of the entry into force in Spain of Royal Decree- Law 3/2016, of December 2, which has adopted tax measures aimed at consolidating public finances consisting of modification of the limits for the compensation of negative tax bases, the reversal of impairment of shareholdings and non-deductibility of losses as a result of the transfer of shares in certain entities, not being significant for the equity situation or the Group's results.

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 Investments".

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 purchased options, zero-premium option combinations and, occasionally, foreign currency forwards.

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.m, 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.m 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 2019, using hedge accounting, no significantamounts 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 70% 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 30% 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.m.

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. In addition, the Group uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the most relevant accounting items.

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 274 million at 31 January 2020 (31 January 2019 EUR 256 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 Financial Risk Management Policy ensures the measurement, evaluation and mitigation of the credit risk of investment products and the counterparty risk of financial institutions by establishing very detailed analysis criteria.

The rating of investment vehicles is carried out by considering the credit scores issued by the main rating agencies with regard to solvency, liquidity, asset quality and prudence in the management of financial institutions. In addition, the Group uses value-at-risk methodologies to assess the credit risk of its investment portfolio.

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.

The Group estimates that at the closing date there has not been a significant increase in the credit risk of the financial assets that had a low credit risk at the beginning, which is why the expected loss at 12 months has been estimated, and it is not significant.

In relation to accounts receivable of commercial origin, the Group estimates that at closing date there has not been a significant increase in credit risk since its recognition, which is why the expected loss at 12 months has been estimated, not being significant, and it has not been considered necessary to make valuation corrections with accounts receivable not due.

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 20).

Note 20 contain 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 20), 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 20), 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.f).

- 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. A potential change in fair value would not imply significant impact.

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.

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 2020, 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 2020, the Group was not operating in markets in which there was more than one exchange rate.

Brexit-related risk

Although the result of the elections of 12 December 2019 has provided certainty about the United Kingdom's departure from the European Union on 31 January 2020, uncertainty remains about the future relationship of the two parties resulting from the negotiation process that should end on 31 December 2020. During this transitional period, which could possibly extend beyond the time frame, no significant changes are expected in the UK-EU regulatory and commercial environment that could affect the Group's current operations. However, it cannot be ruled out that the course of the negotiations will produce episodes of volatility during 2020.

The group has an action plan that is ready to be executed in the event of a no-deal Brexit. This plan was developed during 2018 and is the result of a comprehensive process of analysis, evaluation and design of the mitigation measures required to minimise the potential impact on the Group's business in general and on the UK market in particular. On the other hand, the business processes have been updated, as far as possible, in anticipation of the expected disruptions in the supply of services and goods, as well as in the country's labour market, which are necessary for the maintenance of the Group's multi-concept commercial proposal in the British market. The degree of divergence between EU and UK regulations following the conclusion of the negotiations will determine the level of disruption to the Group's business in that market. As described in the previous year's economic and financial report, the contingency plan is based on the extreme scenario of a no-deal Brexit, so in principle it should be able to mitigate the potential impacts of different scenarios resulting from the future status between the EU and the UK. As was already evident last year, the residual risk after the implementation of the action plan, even in the most extreme case of a no-deal Brexit, would not be significant for the Group.

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 29.

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

Financial instruments

At 31 January 2020 and 2019, 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	2019	2018
Fair value of the hedging instruments	14	20
TOTAL	**14**	**20**

OTHER FINANCIAL LIABILITIES	2019	2018
Fair value of the hedging instruments	15	24
Reciprocal call and put options (Note 6)	26	23
TOTAL	**40**	**47**

The detail of the fair value (measured as indicated in Note 2.2.m) of the hedging instruments for 2019 and 2018 is as follows:

2019

DESCRIPTION	LEVEL	FAIR VALUE 2019	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2018
OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	14	(4)	(3)	1	20
TOTAL DERIVATES		**14**	**(4)**	**(3)**	**1**	**20**
OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	5	(4)	(11)	-	19
Options	2	6	-	-	6	-
Cross Currency Swap	2	4	(1)	-	-	5
TOTAL DERIVATES		**15**	**(5)**	**(11)**	**6**	**24**

2018

DESCRIPTION	LEVEL	FAIR VALUE 2018	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2017
OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	20	10	(6)	3	12
TOTAL DERIVATES		**20**	**10**	**(6)**	**3**	**12**
OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	19	(39)	(31)	11	78
Cross Currency Swap	2	5	2	-	-	3
TOTAL DERIVATES		**24**	**(36)**	**(31)**	**11**	**81**

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

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:

	2019	2018
Cash and cash equivalents (Note 20)	4,780	4,866
Current financial investments (Note 20)	3,319	1,929
Trade receivables (Note 11)	226	229
Receivable due to sales to franchises (Note 11)	272	229
Other current receivables (Note 11)	103	144
Guarantees (Note 18)	378	432
TOTAL	**9,078**	**7,828**

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

In 2019 no significant impairment losses were recognized on financial assets.

26. Employee benefits

Obligations for benefit plans or defined contributions

The Group does not maintain obligations with its employees as a general rule for defined benefit plans or contributions. However, in certain countries, due to the legislation or regulation in force or local labour practice, the Group assumes certain commitments related to the payment of certain amounts for accidents, illness or retirement, among others, sometimes partially paid by the worker and risk is partially or totally externalized through hiring the corresponding insurance policies.

Likewise, in certain countries, the worker participates in a percentage of the profits generated by the Group companies. The liabilities related to these items are recorded in the "Provisions" and "Other long-term liabilities" heading in the consolidated balance sheet. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Long-term Incentive Compensation Plans

Long-term Incentive Plan 2016-2020

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2016-2020 Plan"). 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 share which, after a specified period of time and verified compliance with the specific objectives, 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. Both cycles have ended. The first cycle of the 2016-2020 Plan ran from 1 February 2016 to 31 January 2019. The second cycle ran from 1 February 2017 to 31 January 2020, although the liquidation of this second cycle will take place during the first half of the year 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 Company to any material risks.

The liability related to the Plan 2016-2020 in cash is shown under "Creditors" and "Trade and other payables" in the consolidated balance sheet, and its annual allocation is recorded as an operating expense in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

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

To cater for this 2016-2020 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23).

The incentive to be received (see Note 29) will be calculated as provided for in the resolution seventh of the Annual General Shareholders' Meeting held on 19 July 2016.

2019-2023 Long-Term Incentive Plan

The Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2019-2023 Plan"). 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 2019-2023 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2019-2023 Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the 2019-2023 Plan runs from February 1, 2019 to January 31, 2022. The second cycle spans the period from 1 February 2020 to 31 January 2023.

The 2019-2023 Plan is linked to critical business targets and the creation of shareholder value. As a more significant innovation, the 2019-2023 Plan also links long-term variable remuneration to objectives related to sustainability and the environment, with this index having a maximum weight of 10% over the whole.

The 2019-2023 Plan does not expose the Company to any material risks.

The liability related to the 2019-2023 Plan in cash is shown registered in the "Provisions" item of the balance sheet, and its annual allocation is included in the "Personnel expenses" item in the profit and loss account. The impact of these obligations on the income statement and the balance sheet is not significant.

The amount relating to the equity-settled component of the 2019-2023 Plan is recognised under "Net Equity" in the balance sheet and the related period charge is reflected under "Personnel Costs" in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

To cater for this 2019-2023 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23). And this, without prejudice to the possibility that the Company may proceed at a later time, and by virtue of the authorisation granted by the General Shareholders' Meeting of 16 July 2019, to derivatively acquire a greater volume of treasury shares to cover said 2019-2023 Plan.

The incentive to be received will be calculated as provided for in the resolution nineth of the Annual General Shareholders´ Meeting held on 16 July 2019.

Annual bonus

Inditex approved in 2017 a new plan for employee participation in the growth of the Company's profits for the 2017 and 2018 financial years, with characteristics similar to the previous one, that remained in force in 2015 and 2016 financial years.

In fiscal year 2019, the part corresponding to fiscal year 2018 was executed, following the criteria described in Note 26 of the annual report corresponding to fiscal year 2018.

The liabilities related to this item are recorded under the heading "Creditors" in the consolidated balance sheet, and their annual allocation is included in the heading "Operating expenses" in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Following the completion of the aforementioned plan for the financial years 2017 and 2018, the Board of Directors of the Company approved, on 12 March 2019, a new plan for the participation of employees in the growth of the company's profits, with a unique and exclusive application for the year 2019, and also with features similar to the above. This plan is aimed at all Group employees, chains and subsidiaries worldwide, with more than two years of seniority as of 31 January 2020.

The plan is linked to the fulfilment of specific objectives and establishes a maximum incentive to pay for the Group, which corresponds to the average received in each country during the last four years under the previous plan for employee participation in the growth of the Inditex Group profit.

To determine the specific incentive to pay the beneficiaries of the plan, after the established time period, two types of groups are distinguished, store and non-store (offices, factories and logistics), and some metrics and achievement scales defined for each one of the above groups.

During fiscal year 2020, the incentive corresponding to fiscal year 2019 will be settled.

The liability related to this is shown recorded in the "Creditors" item in the balance sheet, and its annual allocation is included in the "Other operative expenses" item in the profit and loss account. The impact of these obligations on the income statement and the 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 China	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
Tempe Giyim, Ltd.	50.00%	Istanbul - Turkey	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 IFRS, together with other relevant financial information:

	2019	2018
Fixed assets	249	192
Others	29	38
Non-current assets	**278**	**231**
Inventories	230	284
Trade and other receivables	319	370
Cash and cash equivalents	30	10
Current assets	**579**	**663**
Non-current liabilities	**(21)**	**(26)**
Trade and other payables	(305)	(310)
Others	(9)	(29)
Current liabilities	**(314)**	**(339)**
NET ASSETS	**522**	**529**
Revenues	1,399	1,317
Gross profit	**369**	**354**
Operating expenses	(201)	(191)
Amortisation and depreciation	(23)	(23)
Net operating profit (EBIT)	**145**	**140**
Net profit	**117**	**113**

In 2019 the Group received dividends totalling EUR 60 million (EUR 20 million in 2018) from Tempe (see Note 17).

28. Proposed distribution of the profit of the Parent

The Directors will propose as distribution EUR 10,418 million of the 2019 net profit of the Parent, which is the maximum amount distributable.

The Board of Directors of Inditex, following the proposal of the Audit and Compliance Committee, in view of the current uncertain situation due to the Covid-19 pandemic, considers that it is not the right moment to take a decision on the dividend to be proposed relating to FY2019. They have decided to to submit a final proposal on dividends at a later Board Meeting prior to the Annual General Shareholders' Meeting which will take place in July.

Consequently, the net income generated will be allocated to voluntary reserves amounting to EUR 10,228 million and to the capitalisation reserve amounting to EUR 190 million.

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 2019 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2020, per the Parent's shareholder register, 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	% VOTING RIGHTS ATTRIBUTED TO THE SHARES		% VOTING RIGHTS THROUGH FINANCIAL INSTRUMENTS		% TOTAL VOTING RIGHTS	% VOTING RIGHTS THAT CAN BE SELL THROUGH FINANCIAL INSTRUMENTS	
	DIRECT	INDIRECT	DIRECT	INDIRECT		DIRECT	INDIRECT
Mr Pablo Isla Álvarez de Tejera[1]	0.063%	-	0.008%	-	0.071%	-	-
Mr Amancio Ortega Gaona[2]	-	59.294%	-	-	59.294%	-	-
Mr Carlos Crespo González[3]	0.001%		0.004%		0.005%	-	-
Mr José Arnau Sierra	0.001%	-	-	-	0.001%	-	-
Pontegadea Inversiones, S.L.[4]	50.01%	-	-	-	50.01%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-
TOTAL					**59.371%**		

1. In accordance with the 2016-2020 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 95,651 shares, i.e 0.003%. In accordance with the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares, i.e 0.005%.
2. Through Pontegadea Inversiones, SL and Partler 2006, S.L.
3. In accordance with the 2016-2020 Long-Term Incentive Plan, the CEO may receive up to a maximum of 20,666 shares, i.e 0.001%. In accordance with the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 106,752 shares, i.e 0.003%.
4. Represented by Ms Flora Pérez Marcote.

Pursuant to the provisions of article 229 of the Spanish Companies Act, as amended by Law 31/2014, of December 3, no director has communicated any situation that, directly and/or indirectly, through persons related to they could place them in a potential conflict of interest with the Parent Company.

Notwithstanding the foregoing, Mr. Rodrigo Echenique Gordillo, Mr. Emilio Saracho Rodriguez de Torres and Ms. Pilar López Álvarez, hold positions on the Boards of Directors of Banco Santander, International Consolidated Airlines Group and Microsoft Ibérica, respectively, and perform their duties as Inditex directors as independent parties, without prejudice to the commercial relationships that Inditex has with these companies for years. In any case, the Board of Directors ensures, through the Audit and Compliance Committee that the transactions with directors and/or significant shareholders, or with respective related persons, are carried out under market conditions and respecting the principle of equal treatment to shareholders.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment of resignation, making available a position, compensation or any other agreement referred to a director or to a person or company related to a director, the affected party was absent from the Company meeting during the deliberation and voting of the corresponding agreement.

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	2019	2018
Jointly controlled entities	(1,082)	(1,009)

Balances:

	31/01/2020	31/01/2019
Current financial investments	-	1
Trade and other receivables	14	11
Non-current financial investments	246	258
Trade and other payables	284	308
Current financial debt	1	1

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

Significant shareholders

In 2019 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 OPERATION	AMOUNT
Pontegadea Inversiones, S.L., 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	Other income	7
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

In 2018 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 OPERATION	AMOUNT
Pontegadea Inversiones, S.L., S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(44)
Pontegadea Inversiones, S.L.., Partler 2006, S.L. or related entities or persons	Contractual	Sale of assets(land)	1
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	2
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

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 2019:

NAME OR SOCIAL NAME OF THE DIRECTOR	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 2019	MULTIANNUAL VARIABLE REMUNERATION (IN SHARES AND IN CASH) 2019	TOTAL 2019
Mr Pablo Isla Álvarez de Tejera	EXECUTIVE	100	-	-	-	3,250	1,447	1,412	6,209
Mr José Arnau Sierra	PROPIETARY	100	80	150	-	-	-	-	330
Mr Carlos Crespo González[(1)]	EXECUTIVE	54	-	-		800	365	71	1,290
Mr Amancio Ortega Gaona	PROPIETARY	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L.[(2)]	PROPIETARY	100	-	-	-	-	-	-	100
Bns. Denise Patricia Kingsmill	INDEPENDENT	100	-	150	-	-	-	-	250
Ms Anne Lange[(3)]	INDEPENDENT	15	-	14	-	-	-	-	29
Ms Pilar López Álvarez	INDEPENDENT	100	-	150	-	-	-	-	250
Mr José Luis Durán Schulz	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Rodrigo Echenique Gordillo	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	INDEPENDENT	100	-	150	50	-	-	-	300
TOTAL		**969**	**80**	**914**	**150**	**4,050**	**1,812**	**1,483**	**9,458**

NOTAS:
(1) From 16 July 2019.
(2) Represented by Ms Flora Pérez Marcote.
(3) From 10 December 2019.

An itemised breakdown of the remuneration of the members of the Board of Directors in 2018 is as follows:

NAME OR SOCIAL NAME OF THE DIRECTOR	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 2018	MULTIANNUAL VARIABLE REMUNERATION (IN SHARES AND IN CASH) 2018	TOTAL 2018
Mr Pablo Isla Álvarez de Tejera	EXECUTIVE	100	-	-	-	3,250	3,087	3,052	9,489
Mr José Arnau Sierra	PROPIETARY	100	80	150	-	-	-	-	330
Mr Amancio Ortega Gaona	PROPIETARY	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L.[(1)]	PROPIETARY	100	-	-	-	-	-	-	100
Bns. Denise Patricia Kingsmill	INDEPENDENT	100	-	150	-	-	-	-	250
Ms Pilar López Álvarez[(2)]	INDEPENDENT	54	-	80	-	-	-	-	134
Mr José Luis Durán Schulz	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós[(3)]	OTHER EXTERNAL	46	-	70	-	-	-	-	116
Mr Rodrigo Echenique Gordillo	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	INDEPENDENT	100	-	150	50	-	-	-	300
TOTAL		**900**	**80**	**900**	**150**	**3,250**	**3,087**	**3,052**	**11,419**

NOTAS:
(1) Represented by Ms Flora Pérez Marcote.
(2) From 17 July 2018.
(3) Cessation of employment at 17 July 2018.

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2019 were as follows:

2019	
	SENIOR MANAGEMENT
Remuneration	30,834
Termination benefits	-
TOTAL	**30,834**

The aforementioned remuneration for 2019 includes fixed remuneration, short-term variable remuneration and long-term variable remuneration accrued by Senior Management (as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favor during the year" of the Annual Corporate Governance Report for the 2019) as well as fixed salary regarding 2019. Remuneration of Directors for 2019 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of Executive Directors.

With regard to the annual variable remuneration, taking into account the exceptional situation due to the global Covid-19 pandemic, the Board of Directors has resolved, following the proposal of the Remuneration Committee, that the annual variable remunerations of the Executive Chairman, the CEO and the Senior Management be halved.

As refers to the long-term variable remuneration includes the amount accrued for the second cycle (2017- 2020) of the 2016-2020 Long-term Plan. The amount accrued in 2019 by the Executive Directors in terms of this incentive is EUR 1,483 thousand (EUR 1,412 thousand by the Executive Chairman and EUR 71 thousand by the CEO). In turn, the sum of EUR 7,262 thousand was accrued by Senior Management. This incentive materialised as follows:

- Executive Directors: (i) an incentive in cash in the gross amount of EUR 769 thousand for the Executive Chairman and EUR 46 thousand for the CEO; and, (ii) an incentive in shares materialised in 31,888 shares for the Executive Chairman, equivalent to the gross amount of EUR 643 thousand, and 1,259 shares for the CEO, equivalent to the gross amount of EUR 25 thousand.

- Senior Management (i) an incentive in cash in the gross amount of EUR 4,702 thousand and, (ii) an incentive in shares materialised in 126,919 shares, equivalent to the gross amount of EUR 2,560 thousand.

For such purposes, it should be noted that in order to quantify the part of the incentive that will materialise in shares, Inditex's closing share price as of the date of the meeting of the Remuneration Committee where the level of achievement of the objectives of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account.

The liquidation of the incentive in cash and in shares will take place during the month following the publication of the annual accounts corresponding to fiscal year 2019.

The total remuneration and termination benefits earned by senior management of Inditex Group in 2018 were as follows:

2018	
	SENIOR MANAGEMENT
Remuneration	42,768
Termination benefits	2,168
TOTAL	**44,936**

The aforementioned remuneration for 2018 includes fixed remuneration, short-term variable remuneration, long-term variable remuneration and the corresponding compensation, accrued by Senior Management as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favor during the year" of the Annual Corporate Governance Report for the 2018). Remuneration of Directors for 2018 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of the Executive Chairman.

Long-term variable remuneration includes the amount accrued in 2018 for the first cycle (2016-2019) of the 2016-2020 Long-term Plan, which was paid within the first half of 2019. The amount accrued in 2018 by the Executive Chairman in terms of this incentive was EURO 3,052 thousand and by Senior Management EUR 15,302 thousand. This incentive materialized as follows: (i) an incentive in cash in the gross amount of eur 1,348 thousand for the Executive Chairman and EUR 8,384 thousand for the Senior Management; and, (ii) an incentive in shares materialised in 69,985 shares, equivalent to the gross amount of EUR 1,704 thousand for the Executive Chairman, and 284,100 shares, equivalent to the gross amount of EUR 6,918 thousand for the Senior Management.

The incentive in shares accrued by the Executive Chairman and the Senior Management regarding the first cycle (2016-2019) of the 2016-2020 Plan for 2018, shown in Note 26 of 2018 consolidated annual accounts, has been adjusted in accordance with the share price as at the date of delivery of the above referred shares.

During 2019 and in 2018 no contributions were made to the Pension Scheme Plan.

30. External auditors

In 2019 and 2018 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:

	2019	2018
Audit services	7.5	6.5
Other assurance services	0.6	0.5
TOTAL AUDIT AND SIMILAR SERVICES	**8.1**	**7.0**
Other services	0.1	0.1
TOTAL PROFESSIONAL SERVICES	**8.2**	**7.1**

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 0.0200% of their total revenue.

31. Environment

Inditex has developed a flexible and integrated business model, with a strong customer focus and a clear sustainable approach. In this respect, Inditex's environmental strategy is reflected in its Environmental Sustainability Policy. This policy sets out the environmental commitments, which are applied transversally in all its business areas and throughout its entire supply chain.

At the year-end, Inditex has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and profits (losses).

Section 5 of the Group's Non-Financial Statement includes information on Inditex's commitment to the environment through its Environmental Sustainability Policy.

32. Events after the reporting period

Coronavirus (COVID-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

Taking into account the potential impact of the above described situation on the financial information of the Inditex Group as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and pursuant to the provisions of IAS 2 "Inventories" and IAS 10 "Events after the reporting period".

Based upon such evaluation, the Group has booked a provision in the amount of 287 million euros, in the gross profit line of the consolidated income statement, to adjust the estimated net realizable value of inventories for the Spring/Sumer campaign as of 31 January 2020 further to the COVID-19 pandemic impact.

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.

Annex I – Composition of the Inditex Group

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Fíos, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Goa, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Denllo, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Hampton, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Nikole, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Samlor, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Stear, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Trisko, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Zintura, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Glencare, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Indipunt, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Zara España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100%	New York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara	Retail sales
Zara UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Zara	Retail sales
Zara Mexico, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara	Retail sales
Zara México, S.A. de C.V.	95%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Zara Portugal- Confecçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Financiën B.V. Ireland	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Dormant
Zara Brasil, LTDA.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara	Retail sales
Zara Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Zara Danmark, AS.	100%	Copenhaguen - Denmark	Full Consol.	31-jan	Zara	Retail sales
Zara Sverige, AB.	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara	Retail sales
Zara Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Zara	Retail sales
Zara Canada, Inc.	100%	Montreal - Canada	Full Consol.	31-jan	Zara	Retail sales
Zara Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Zara Luxembourg, S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales
Zara Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Retail sales
Zara Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara	Retail sales
Zara Ceská Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara	Retail sales
Zara Puerto Rico, Inc.	100%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100%	Monte Carlo - Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100%	Beijing - China	Full Consol.	31-dec	Zara	Retail sales
Zara Macau, Ltd.	100%	Macao SAR	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
JSC "Zara CIS"	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Zara Bucuresti, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara	Retail sales
Zara Ukraine LLC	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Zara	Retail sales
ITX Taiwan B.V. Zara - Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
Zara Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara	Retail sales
Zara Retail Korea, Co Ltd.	80%	Seoul - South Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Retail NZ Limited	100%	Auckland - New Zealand	Full Consol.	31-jan	Zara	Retail sales
KG ZARA Deutschland B.V. & Co.	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
Zara Retail South Africa (Propietary), LTD.	90%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	100%	Sydney - Australia	Full Consol.	31-jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Zara	Retail sales
ITX Financien, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Taiwan, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Zara	Retail sales
Nikole Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100%	Podgoricaa - Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100%	Seoul - South Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Zara	Retail sales
Kiddy´s Class España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Fibracolor, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Finland, OY	100%	Helsinki - Finland	Full Consol.	31-jan	Zara	Retail sales
Retail Group Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales
Oysho Portugal - Confecçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Oysho	Retail sales
Oysho Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Oysho	Retail sales
Oysho Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Oysho	Retail sales
Oysho Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Oysho	Retail sales
Oysho Croacia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Oysho	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Oysho Suisse SÀRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve.Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC.	100%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Danmark AS	100%	Copenhagen - Denmark	Full Consol.	31-jan	Massimo Dutti	Retail sales
LLC Massimo Dutti	100%	Moscow - Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100%	Macao SAR	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich Clothing, GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100%	Montreal - Canada	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100%	Helsinki - Finland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, SA	100%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
Italco Moda Italiana, SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorxzág KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales
Master Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Pull & Bear	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Pull & Bear Magyarország Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100%	London - UK	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design
Pull & Bear Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
P&B Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Uterqüe, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Buyer
Uterqüe España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hellas	100%	Athens - Greece	Full Consol.	31-jan	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Design
"ITX KOSOVO" L.L.C.	100%	Pristina	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Italia, Srl.	100%	Milan - Italy	Full Consol.	31-jan	Uterqüe	Retail sales
ITX Finance Asia, LTD	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Financial services
Inditex USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Holding company
Uterqüe Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Polska SP. Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100%	Kiev - Ukraine	Full Consol.	31-jan	Uterqüe	Retail sales
Bershka BSK España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Bershka	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Bershka Ceska Republica, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Bershka	Retail sales
Bershka Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Carpati, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Bershka	Retail sales
Bershka Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hong Kong Limited	100%	Hong Kong SAR	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100%	Beijing - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
Bershka Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Bershka	Retail sales
Bershka Japan, Co	100%	Tokyo - Japan	Full Consol.	31-jan	Bershka	Retail sales
BSKE, GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE DAC	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100%	London - UK	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Stradivarius	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Japan Corporation	100%	Tokyo - Japan	Full Consol.	31-jan	Stradivarius	Retail sales
ITX Trading, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer
Zara Home España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Portugal, Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Canada, Inc	100%	Montreal - Canada	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Macao SUL	100%	Macao SAR	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Sverige AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÀRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100%	Sydney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Danmark A/S	100%	Copenhagen - Denmark	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100%	Belgrade - Serbia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Bulgaria EOOD	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Zara Home	Dormant
Limited Liability Company "ZARA HOME BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Europa, S.A.	100%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100%	León - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics
Uterqüe Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Logistics
Uterque Fashion RO S.R.L.	100%	Bucharest - Romania	Full Consol.	31-dec	Uterqüe	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Lefties Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Inditex Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Tordera Logística, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
Goa-Invest, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100%	Hong Kong SAR	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
Invercarpro, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Zara	Real estate
Robustae Confeççiones, S.A	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
Lefties España, S,A,	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100%	Palma de Mallorca - Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Lelystad Platform, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Logistics
Robustae Mexico, S.A DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Inditex Cogeneración, A.I.E.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Combined heat and
Inditex, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100%	Skopje - North Macedonia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Financien II, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX TRYFIN B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX RUBFIN, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100%	Gurgaon - India	Full Consol.	31-mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant
ITX Merken, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX LUXEMBOURG S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
CDC Trading (Shangai) Co. LTD.	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
Oysho Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Oysho	Retail sales
Oysho Slovakia S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Construction

CONSOLIDATED DIRECTORS' REPORT

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CONSOLIDATED DIRECTORS' REPORT

AT 31 JANUARY 2020

(Amounts expressed in millions of euros)

Situation of the entity

The information relating to the "Situation of the entity" is detailed in section "3. 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 Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Supervisory Board and Office of the Chief Compliance Officer
- 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.

Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In 2019, Zara launched online in Brazil, Egypt, Indonesia, Israel, Lebanon, Morocco, Serbia, South Africa, Kuwait, UAE, Qatar, Saudi Arabia, Bahrein, Jordan, Oman, Colombia, Philippines and Ukraine.

During FY2019, Inditex adopted the new lease accounting standard, IFRS 16, using the modified retrospective transition method. The implementation of IFRS 16 does not affect the cash flow or business, but some lines of the income statement become non-comparable with 2018 reported figures.

In FY2019, Inditex achieved a strong operating performance. Net sales reached €28.3 billion, with growth of 8%. Sales in local currencies grew 8%.

Like-for-like sales increased 6.5% in FY2019 (5% in the first half and 7.5% in the second half), on 4% in FY2018. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2019 and 2018) and online. This represents 86% of total sales.

Initial collections for the Spring/Summer season have been very well received by our customers. The Covid-19 pandemic is having a very significant impact. The online business continues to develop as normal in all markets. Our supply chain continues to operate normally due to the flexibility of our business model.

While it is too early to quantify the future impact of the Covid-19 pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position.

In 2019, online sales grew 23% to €3.9 billion, 14% of net sales.

In FY2019 gross new space in prime locations increased 5% (2.5% net). Total selling area at FYE reached 5,086,732 square metres:

	2019	2018	2019/2018
Zara (Zara and Zara Home)	3,345,519	3,256,381	3%
Pull&Bear	428,969	419,387	2%
Massimo Dutti	278,052	274,563	1%
Bershka	553,853	541,310	2%
Stradivarius	337,893	332,279	2%
Oysho	127,294	122,841	4%
Uterqüe	15,152	15,320	(1%)
TOTAL	**5,086,732**	**4,962,081**	**3%**

Inditex has been very active in store optimisation activities in 2019 (307 openings, 328 absorptions, and 182 refurbishments which include 87 enlargements).

At the end of FY2019 Inditex operated 7,469 stores. In FY2019 Inditex opened stores in 43 markets.

A list of the number of stores is included in the table below:

CONCEPT	31 JANUARY 2020	31 JANUARY 2019
Zara	2,142	2,131
Zara Kids	128	128
Zara Home	596	603
Pull&Bear	970	974
Massimo Dutti	754	766
Bershka	1,107	1,107
Stradivarius	1,006	1,011
Oysho	677	678
Uterqüe	89	92
TOTAL	**7,469**	**7,490**

Company-managed stores and franchised stores at the end 2019:

CONCEPT	COMPANY MANAGED	FRANCHISED	TOTAL
Zara	1,879	263	2,142
Zara Kids	128	-	128
Zara Home	512	84	596
Pull&Bear	810	160	970
Massimo Dutti	638	116	754
Bershka	930	177	1,107
Stradivarius	801	205	1,006
Oysho	586	91	677
Uterqüe	73	16	89
TOTAL	**6,357**	**1,112**	**7,469**

Sales in company-managed and franchised stores:

CONCEPT	COMPANY MANAGED	FRANCHISED
Zara (Zara and Zara Home)	87%	13%
Pull&Bear	82%	18%
Massimo Dutti	85%	15%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	88%	12%
Uterqüe	86%	14%
TOTAL	**86%**	**14%**

A list of the stores' locations by concepts and by market at FYE is included in Annex III. Net sales by concept are shown in the table below:

	2019	2018
Zara (Zara and Zara Home)	19,564	18,021
Pull&Bear	1,970	1,862
Massimo Dutti	1,900	1,802
Bershka	2,384	2,240
Stradivarius	1,750	1,534
Oysho	604	585
Uterqüe	115	101
TOTAL	**28,286**	**26,145**

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

AREA	2019	2018
Europe ex-Spain	46.0%	45.1%
Asia & RoW	22.5%	23.2%
Spain	15.7%	16.2%
Americas	15.8%	15.5%
TOTAL	**100.0%**	**100.0%**

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

Gross profit reached €15.8 billion, 7% higher than in FY2018. The gross margin reached 55.9% (-79 bps). Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of €287m to account for the impact that the Covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020. Excluding this provision, gross profit would have reached €16.1 billion, 9% higher than in FY2018 and a gross margin of 56.9% (+22 bps).

The implementation of efficiencies has resulted in operating expenses being tightly managed over FY2019. Inditex reports under the new IFRS 16 rules, which mainly changes the accounting treatment of leases. The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges, while variable rental expenses remain in the operating expenses line. Operating expenses growth was 7.5% excluding IFRS 16 new rules effects in FY2019.

	2019	2018	19/18
Personnel expenses	4,430	4,136	7%
Rental expenses	695	2,392	(71%)
Other operating expenses	3,051	2,801	9%
TOTAL	**8,176**	**9,329**	**(12)%**

At FYE 2019 the number of employees was 176,611 (174,386 at FYE 2018).

EBITDA in FY2019 came to €7.6 billion vs. €5.5 billion in FY2018. Excluding the inventory provision, EBITDA would have increased 44.5% in FY2019.

EBIT came to €4.8 billion vs. €4.4 billion in FY2018. Excluding the inventory provision, EBIT would have increased 16.1% in FY2019.

The breakdown of profit before tax by concept is shown below:

CONCEPT	2019	2018	19/18	19/18 EX COVID-19
Zara (Zara and Zara Home)	3,370	3,181	6%	12%
Pull&Bear	301	300	0%	9%
Massimo Dutti	282	269	5%	16%
Bershka	349	330	6%	13%
Stradivarius	300	256	17%	25%
Oysho	70	86	(18)%	(9)%
Uterqüe	9	5	60%	84%
TOTAL PBT	**4,681**	**4,428**	**6%**	**12%**

The following chart shows the breakdown of financial results:

	2019	2018
Net financial income (losses)	17	14
Lease finance costs	(142)	-
Foreign exchange gains (losses)	(26)	3
TOTAL	**(152)**	**17**

Results from companies consolidated by the equity method came to €61 million.

Net income in FY2019 grew 6% to €3.6 billion vs. €3.4 billion in FY2018. Excluding the inventory provision, net income would have increased 12% in FY2019.

The IFRS 16 new rules effects in net income amounted to +88 million FY2019.

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

	2019	2018
Net income	3,639	3,444
Shareholders equity - previous year	14,653	13,497
Shareholders equity - current year	14,913	14,653
Average equity	14,783	14,075
RETURN ON EQUITY	**25%**	**24%**

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

	2019	2018
PBT	4,681	4,428
Average capital employed		
Average shareholders' equity:	14,783	14,075
Average net financial debt (*)	-	-
Total average capital employed	14,783	14,075
RETURN ON CAPITAL EMPLOYED	**32%**	**31%**

(*) Zero when net cash

Return on Capital Employed by concept:

CONCEPT	2019	2018
Zara (Zara and Zara Home)	30%	28%
Pull&Bear	39%	48%
Massimo Dutti	31%	38%
Bershka	39%	50%
Stradivarius	47%	49%
Oysho	26%	40%
Uterqüe	16%	12%
TOTAL	**32%**	**31%**

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2019 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 2019. Due to the strong operating performance, the full store and online integration, and the store optimisation programme we are seeing a lower inventory on sales and an increased cash generation.

The cash position increased 20% to €8.1 billion.

	31 JANUARY 2020	31 JANUARY 2019
Cash & cash equivalents	4,780	4,866
Short term investments	3,319	1,929
Current financial debt	(32)	(84)
Non current financial debt	(6)	(5)
NET FINANCIAL CASH (DEBT)	**8,060**	**6,705**

The operating working capital position remains negative as a result of the business model. Inventory decreased 16% in 2019. Inventory excluding the €287 million provision fell 6%.

	31 JANUARY 2020	31 JANUARY 2019
Inventories	2,269	2,716
Receivables	780	820
Payables	(5,585)	(5,251)
OPERATING WORKING CAPITAL	**(2,536)**	**(1,715)**

Cash from operations excluding the IFRS 16 impacts would have increased 26%.

Ordinary capital expenditure for FY2019 amounted to €1.1 billion, 26% lower than the prior year. Extraordinary capex came to €30 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 FY2020.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 20 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

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2020, detailed under "Information on the outlook for the group".

Main risks and uncertainties

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, public health crises 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. The potential consequences of climate change could also have an impact, such as sharp changes to climate cycles that could affect consumers' demand patterns, supply and demand of textiles materials used in manufacturing of garments, among others.

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 and industrial property regulations, data protection and privacy regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), 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 to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor corporate best practices.

Although the election result of 12 December 2019 has confirmed the UK's exit from the EU on 31 January 2020, there is currently some uncertainty surrounding the conditions of the deal on the future relationship between the two parties as a consequence of a negotiation process that should finalise on 31 December 2020. During this transitional period, which could possibly extend beyond the time frame, no significant changes are expected in the UK-EU regulatory and commercial environment that could affect the Group's current operations.

The degree of divergence between EU and UK regulations following the conclusion of the negotiations will determine the level of adaptation for the Group's business in that market.

Among the main risks arising from the so-called Brexit for the Group are potential delays in the transit of goods, economic impacts arising from the imposition of tariffs, and currency fluctuations, possible restrictions on the free movement of persons, as well as those arising from the contractual or management risks of key third parties.

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 on 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. Also the risks arising from the growing importance of technological innovations and evolutions in the broadest sense, both in the interaction with customers and the improvement of operating processes, to ensure commercial success.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events beyond 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. Distribution logistics is also complemented through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistics centres located in other countries and with third-party logistics operators that 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. Furthermore, the relationship with certain supplies of goods and providers of services is subject to certain risks that are not directly under our control and which could have an impact on the normal performance of some of the Group's operations.

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 negative interest rate environment in the Economic and Monetary Union brings with it a risk of negative profitability in the Group's financial position

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 with 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 inadequate Group management arising from possible breach by the management team or members of the Board of Directors of the standards, recommendations or best practices that exist in issues of Corporate Governance, of the transparency regulations of the supervisory authorities, or even the lack of professional ethics in management.

Risk management at the Group is a process driven by the Board of Directors and Senior Management and is the responsibility of each and every member of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, as an answer to social and environmental challenges, 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 enforced on 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:

- The Investment Policy.

- The External Financing Policy.

- The Payment Management Policy.

- The Financial Risk Management Policy.

- The Policy on Management of Insurable Risks.

- The Code of Conduct and of Responsible Practices.

- The Policy on Criminal Risk Prevention.

- The Internal Regulations of Conduct regarding Transactions in Securities.

- The Corporate Social Responsibility Policy.

- The Code of Conduct of Manufacturer and Supplier.

- The Occupational Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy.
- The Standard for Procurement Management.
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisers.
- The Policy and Procedure for Representatives and Attorneys.
- The Policy on Human Rights.
- The Diversity and Inclusion Policy
- The Compliance Policy.
- The Tax Strategy and Tax Policy.
- The Anti-Money Laundering and Terrorism Financing Policy.
- The Due Diligence Policy.
- The Conflicts of Interest Policy.
- The Donations and Sponsorship Policy.
- The Policy on Gifts and Business Courtesies.
- The Policy on Relations with Civil Servants.

For further details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2019.

Significant events after the reporting period

Coronavirus (COVID-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

Taking into account the potential impact of the above described situation on the financial information of the Inditex Group as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and pursuant to the provisions of IAS 2 “Inventories” and IAS 10 “Events after the reporting period”.

Based upon such evaluation, the Group has booked a provision in the amount of 287 million euros, in the gross profit line of the consolidated income statement, to adjust the estimated net realizable value of inventories for the Spring/Sumer campaign as of 31 January 2020 further to the COVID-19 pandemic impact.

Information on the outlook for the Group

Inditex would like to express solidarity with the people affected by the Covid-19 pandemic.

Our main priority is the health and safety of local communities and our employees. We have put in place appropriate procedures to deal with the situation and we will continue cooperating in full with the authorities. We would like to express our gratitude to our dedicated teams who have been an inspiration during this period.

The Covid-19 pandemic is having a very significant impact. The online business continues to develop as normal in all markets. Our supply chain continues to operate normally due to the flexibility of the business model. Initial collections for the Spring/Summer season have been very well received by our customers.

Store and Online sales in local currencies decreased 4.9% from 1 February to 16 March 2020. Store and Online sales in local currencies decreased 24.1% from 1 March to 16 March 2020. As of today 3,785 stores are temporarily closed in 39 markets. All stores in China are open with the exception of 11 stores.

While it is too early to quantify the future impact of the pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position. The underlying growth rate in LFL sales of Inditex continues to be 4%-6%.

Inditex is actively managing operating expenses in order to minimise the overall impact of the situation.

Inditex enjoys a strong financial condition. Net Cash and Cash Equivalents at FYE 2019 reached €8.1 billion.

While it is too early to quantify the future impact of the pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position. In the current situation, generated by temporary external factors, we reaffirm our vision over the long term potential and the fundamentals of the business model.

R,D&I activities

The Inditex Group carries out research, development and innovation activities in all areas of its activity to improve manufacturing and distribution processes and to develop, using its own resources or with the help of third parties, technologies that facilitate business management. In particular, we highlight the activity of designing clothing, accessories and household items, logistics and those related to technology linked to point-of-sale terminals, to administration and inventory management systems, to delivery systems at distribution centres, to communication with stores, to garment labelling and, finally, to the activity linked to the digital transformation of the business.

Acquisition and sale of treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26 of the 2018 consolidated annual accounts) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Likewise, the Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2019, the Company owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Subsequently, in 2019, the first cycle (2016-2019) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of the first cycle of the Plan. Consequently, at 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

Other salient information

Stock market information

The Inditex share price closed 2019 at EUR 30.37 per share on 31 January 2020. The average daily trading volume was approximately 6.1 million shares. In the same period, the Dow Jones Stoxx 600 Retail rose by 17% while the Ibex 35 was up by 3%.

Inditex's market capitalization stood at EUR 94,653 million at the end of the period, up 933% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 3% decrease in the Ibex 35 index in the same period.

The dividend for 2018 totalling EUR 0.88 per issued share was paid in May and November 2019.

Dividend policy

The Board of Directors of Inditex, following the proposal of the Audit & Compliance committee, in view of the current uncertain situation due to the Covid-19 pandemic, considers that it is not the right moment to take a decision on the dividend to be proposed relating to FY2019.

Consequently, the net income generated will be allocated to reserves (to voluntary reserves amounting to EUR 10,228 million and to the capitalisation reserve amounting to EUR 190 million) with a view to submitting a final proposal on dividends at a later board meeting prior to the AGM which will take place in July.

Other disclosures

<u>Related party transactions</u>

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 2019 that substantially affected its financial position or results.

<u>Information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December</u>

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 2019 is available at www.inditex.com and was published in the section on Other Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 18 March 2020.

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 Margin, EBITDA, EBIT, PBT, ROE, ROCE, working capital, net financial position, Average net financial debt and Quarterly results are defined in the introduction to the Consolidated Annual Accounts 2019.

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 II.
Income statement: FY2019 quarterly results:

	2019 QUARTERLY RESULTS			
	Q1	Q2	Q3	Q4
Net sales	5,927	6,893	7,000	8,466
Cost of sales	(2,402)	(3,134)	(2,746)	(4,197)
GROSS PROFIT	**3,524**	**3,759**	**4,254**	**4,268**
	59.5%	54.5%	60.8%	50.4%
Operating expenses	(1,842)	(1,981)	(1,988)	(2,365)
Other net operating income (losses)	(8)	(6)	(11)	(8)
OPERATING CASH FLOW (EBITDA)	**1,675**	**1,772**	**2,255**	**1,896**
	28.3%	25.7%	32.2%	22.4%
Amortisation and depreciation	(696)	(712)	(747)	(672)
OPERATING INCOME (EBIT)	**980**	**1,060**	**1,508**	**1,224**
	16.5%	15.4%	21.5%	14.5%
Financial results	(36)	(41)	(34)	(41)
Results from companies consolidated by equity method	9	15	12	25
INCOME BEFORE TAXES	**952**	**1,035**	**1,486**	**1,208**
Taxes	(216)	(218)	(312)	(287)
NET INCOME	**736**	**817**	**1173**	**921**
	12.4%	11.8%	16.8%	10.9%
MINORITIES	**2**	**1**	**2**	**2**
NET INCOME ATTRIBUTABLE TO THE CONTROLLING COMPANY	**734**	**816**	**1,171**	**919**
	12.4%	11.8%	16.7%	10.9%

Annex III.
Detail of stores by concept and market as at 31 January 2020

MARKET	ZARA	ZARA KIDS	PULL&BEAR	MASSIMO DUTTI	BERSHKA	STRADIVARIUS	OYSHO	ZARA HOME	UTERQÜE	INDITEX
ALBANIA	1		1	1	2	2		1		8
GERMANY	74		11	15	13			14		127
ANDORRA	1		1	1	1	1	1	1	1	8
SAUDI ARABIA	44		19	11	31	46	17	8	5	181
ALGERIA	2		2		3	3	1	2		13
ARGENTINA	11									11
ARMENIA	2		2	2	2	2	1	1		12
ARUBA	1									1
AUSTRALIA	19									19
AUSTRIA	13		4	3	7			3		30
AZERBAIJAN	3		2	3	3	2	1			14
BAHREIN	2		1	2	1	1	1	1		9
BELGIUM	32		9	20	14	2	3	7		87
BELARUS	2		2	1	2	2	1	1		11
BOSNIA	3		4	1	4	4				16
BRAZIL	56							14		70
BULGARIA	7		6	6	8	5	6	1		39
CANADA	32			8				2		42
CHILE	9							4		13
MAINLAND CHINA	179		65	89	62	35	87	52	1	570
HONG KONG SAR	14		6	2	5		2	1		30
MACAO SAR	2		1	2	1	1	1	1		9
TAIWAN, CHINA	9		4	5	3			2		23
CYPRUS	7		5	5	6	7	5	5		40
COLOMBIA	14		9	4	13	12	4	4		60
SOUTH KOREA	41		2	6			4	6		59
COSTA RICA	2		2	1	2	2	1	1		11
CROATIA	10		7	4	10	7	3	2		43
DENMARK	4			1				1		6
ECUADOR	2		3	1	3	3	1			13
EGYPT	7		7	6	7	6	5	5		43
EL SALVADOR	2		2		2	2	1			9
UAE	13		9	8	10	7	9	9	2	67
SLOVAKIA	3		3	1	5	4				16
SLOVENIA	5		2	1	4	4				16
SPAIN	302	107	198	180	191	277	170	123	32	1,580
UNITED STATES	99									99
ESTONIA	3		1	2	1	1		1		9
PHILIPPINES	9		2	2	4	4				21
FINLAND	6			1						7
FRANCE	121		39	14	53	28	10	19		284
GEORGIA	4		2	4	3	3	2	1		19
GREECE	41	6	25	13	29	22	20	10		166
GUATEMALA	3		3	1	3	3	1	1		15
NETHERLANDS	29		11	4	18	6		8		76
HONDURAS	2		2	1	2	2	1	1		11

MARKET	ZARA	ZARA KIDS	PULL&BEAR	MASSIMO DUTTI	BERSHKA	STRADIVARIUS	OYSHO	ZARA HOME	UTERQÜE	INDITEX
HUNGARY	8		8	3	9	7	2	2		39
INDIA	22			3						25
INDONESIA	17		14	5	8	14	4	3		65
IRELAND	9		3	2	6	4				24
ICELAND	1									1
ISRAEL	25		24	3	17	8		2		79
ITALY	99		56	7	71	88	34	29		384
JAPAN	94				25	8		18		145
JORDAN	3		2	3	2	4	2	2	1	19
KAZAKHSTAN	5		5	4	6	6	5	4	1	36
KUWAIT	6		3	3	4	3	4	4	2	29
LATVIA	3		2	4	2	2	2	1		16
LEBANON	7		4	6	8	6	5	5	1	42
LITHUANIA	5		3	5	4	4	1	2		24
LUXEMBOURG	4		2	2	1	1	1	1		12
MACEDONIA	1		1	1	1	1				5
MALAYSIA	9		4	5	2					20
MALTA	1		3	1	1	1	1	3		11
MOROCCO	7		2	3	3	7	3	4	1	30
MEXICO	91		70	43	78	52	56	32	16	438
MONACO	1									1
MONTENEGRO	1		1		1	1	1			5
NICARAGUA	1		1		1	1				4
NORWAY	5									5
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		33	28	49	52	21	15	4	248
PORTUGAL	70	15	49	41	48	44	33	28	6	334
PUERTO RICO	3									3
QATAR	6		5	4	5	4	5	5	2	36
UNITED KINGDOM	63		8	13	7	6		11		108
CZECH REPUBLIC	6		4	2	5	5	1	1		24
DOMINICAN REPUBLIC	3		1	2	2	2	2	2		14
ROMANIA	24		25	12	28	25	13	8	1	136
RUSSIA	100		87	55	103	82	70	49	12	558
SERBIA	6		5	4	5	5	4	3		32
SINGAPORE	10		3	6	3	1	1			24
SOUTH AFRICA	9							1		10
SWEDEN	11		1	4			1	4		21
SWITZERLAND	20		4	7	6		1	4		42
THAILAND	12		3	4	1		1	2		23
TUNISIA	5		3	2	4	4	3	2		23
TURKEY	44		34	26	36	35	30	25		230
UKRAINE	10		15	7	15	13	8	3	1	72
URUGUAY	2							2		4
VENEZUELA	8		5		9					22
VIETNAM	2		1	1		1				5
INDITEX	**2,142**	**128**	**970**	**754**	**1,107**	**1,006**	**677**	**596**	**89**	**7,469**

RISK MANAGEMENT AND CONTROL SYSTEMS

INDEX

E. Risk management and control systems

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

At Inditex, risk management is driven by the Board of Directors and the Senior managers, and incumbent on each and every single member of the Group; it seeks to provide reasonable assurance of achievement of the objectives established by the Group as an answer to social and environmental challenges, ensuring an appropriate level of guarantee to stakeholders which ensures protection of value built.

In this context, the Group's Enterprise Risk Management Policy lays out the overarching principles, key risk factors and the general action lines to manage and monitor the risks affecting the Group. The scope of the Policy extends to the entire Group and is at the basis of an Integral Risks Management System.

The Enterprise Risk Management Policy is developed and supplemented by specific internal policies or regulations with regard to certain areas or units of the Group. The internal policies or regulations developed and implemented by those areas to mange the different types of risks, include without limitation:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy on Management of Insurable Risks
- The Code of Conduct and Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct for Manufacturers and Suppliers.
- The Occupational Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy
- The Standard for Procurement Management
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors
- The Policy and Procedure for Representatives and Attorneys
- The Policy on Human Rights
- The Diversity and Inclusion Policy
- The Compliance Policy
- The Tax Policy and the Tax Strategy
- The Anti-Money Laundering and Terrorist Financing Policy
- The Due Diligence Policy.
- The Conflicts of Interest Policy
- The Policy on Donations and Sponsorship
- The Policy on Gifts and Business Courtesies
- The Policy on Relations with Civil Servants.

The risk management process is described in detail in the Risks Management Manual attached to the Enterprise Risk Management Policy.

Risks management starts by identifying and assessing the factors which may have a negative impact on the achievement of the business objectives, which translates into a risks map that includes the main risks classified in different groups, together with an assessment thereof based upon their potential impact, the likelihood of their occurrence and the level of preparedness of the Group to address them. The risks map is regularly reviewed to keep it updated, in order to include amendments related to the evolution of the Group itself and the environment where it operates. The risk management process continues with adopting a certain response to such factors, and establishing the required control measures for such response to be effective.

Within the Risk Management System, business units represent the first line of defense, reporting the relevant information to the Enterprise Risks Management Department, which coordinates the System as a second line of defense.

Internal Audit acts as a third line of defense, overseeing in an independent and objective manner the Risk Management System and reporting to the Board of Directors through the Audit and Compliance Committee.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk

The main responsibilities of the governing bodies and areas involved in Enterprise Risks Management at the Inditex Group are described below:

The Board of Directors is charged with:

- Approving the Enterprise Risk Management Policy, on the proposal of the Management. Such Policy defines the strategy in the field of risks management and the disclosure thereof to the rest of the organisation. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

The Audit and Compliance Committee is responsible for:

- Overseeing the control and risks management function and establish that it operates pursuant to the provisions of the policy approved by the Board.

- Receiving on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, as well as on any significant internal control weakness detected by the external auditors.

- Assessing the effectiveness of internal control and management systems relating to financial and non-financial risks, as well as of the measures established to mitigate the impact of identified risks.

- Promoting a corporate culture within the Company wherein risk is a factor upon decision-making, at all levels of the Company and its Group.

- Identifying and re-assessing, at least on an annual basis, financial and non-financial risks and the level of risk tolerance.

- Identifying and understanding emerging risks as well as their alert mechanisms, and regularly assess the effectiveness thereof.

- Ensuring that risks are kept and managed within the levels of risk tolerance set by the Board.

- Meeting with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.

- Reviewing the information on the risks that the Group faces, and on the risk control systems, that must be included in the Annual Corporate Governance Report, the directors' report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and

It is incumbent on the Financial Division (where the ERM Department is assigned):

- To ensure the good running of the Risk Management System and namely that all relevant risks which affect the Company are duly identified, managed and quantified.

- To take an active role in the preparation of the risk strategy and in the important decisions on risk management.

- To ensure that the ERM System would appropriately mitigate risks.

- To oversee the work and liaising with Risks Managers at each business unit or area, both at corporate or concept level, providing valid tools for risks assessment and management.

- To maintain and refresh knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.

- To regularly review the risks management policies and manuals and the motions for the amendment and update thereof to the Audit and Compliance Committee to be tabled, where appropriate, to the Board of Directors.

- To coordinate and process the information received by Risks Managers at each business unit or area, reporting to the Senior managers and to the Board of Director through the Audit and Compliance Committee.

- To promote appropriate and effective communication channels between ERM Department and the remaining Divisions and areas involved.

Risks Managers are charged with:

Monitoring the risks under their remit, in accordance with the methodology and tools defined by the ERM Department.

Identification of events which may entail potential risks and opportunities within the assigned scope of responsibility, reporting the necessary information to the ERM Department.

Follow-up and notice of the evolution of risk management, as well as the defined action plans.

The Internal Audit Department is charged with:

- Contributing to the improvement of risks management, control and governance processes, assuring the Audit and Compliance Committee of an effective and independent supervision of the internal control system and issuing recommendations for the Group to help reduce to reasonable levels the potential impact of risks which hamper the achievement of the objectives of the Company.

- Internal Audit function must always remain independent in respect of ERM System, and it shall not be responsible for making any key decisions regarding its operation.

Senior managers are charged with:

- Raising awareness regarding the weight of the ERM System and its value for all the stakeholders of the Group, encouraging the creation of an all-encompassing risks management culture.

- Defining and validating functions, powers and responsibilities within the framework of the ERM System.

- Determining the level of risk that the Company may deem acceptable.

- Provision of appropriate and sufficient resources to implement Risks Management activities.

- Validation of action and work plans resulting from the risks management process itself.

- Follow-up on activities.

Additionally, a number of specific Committees relating to follow-up of the major risks are in place:

- Expansion Committee

- Logistics Committee

- Committee of Ethics

- Business Monitoring Committee

- Compliance Supervisory Board

- Information Security Committee

- Investments Committee

- Financial Risks Committee

- Reputation Committee

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

In order to achieve a streamlined and comprehensive risks management, the Group has established a definition of risk valid for the whole Organisation. Thus, the Group defines risk as: “any potential event which might have a negative impact on the achievement of its business objectives”.

Risks reviewed are classified and grouped in the following categories:

1. Business environment

These are risks stemming from external factors associated with the Group’s business.

Included in this group are risks associated with the difficulty in adjusting to the environment or market where the Group operates, whether as regards procurement processes or distribution and sale of goods activities. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow up and offer a response to the evolution of its target market or to adjust to the new situations in procurement or distribution countries.

In this regard, geopolitical, demographic, social and economic changes, as well as public health crisis, that trigger the country risk in procurement or distribution countries, or the consumption decline in certain markets, are factors which may, among others, have an impact on the effective achievement of the business objectives of the Group, as may, without limitation, the potential consequences of the climate change, such as acute changes in climate cycles which might affect customers’ demand patterns, the supply and demand of textile raw materials used to manufacture garments, etc., Additionally the strong competitiveness existing in the sector, driven by new technologies and disruptive innovation might condition the Group's capacity to compete in an environment in which customer's profile is constantly changing.

2. Regulatory risk

Those are risks to which the Group is exposed arising from the different applicable legislation in the countries where it conducts business.

Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property, data protection and privacy regulations, as well as the risks associated with the remaining laws and regulations, namely regulatory risks of a criminal nature (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office – Office of the Chief Compliance Officer is responsible for overseeing and managing the Compliance System of the Inditex Group, in order to prevent any regulatory risks (including criminal ones, in particular those relating to corruption) and/or reputational risks, arising from a potential regulatory noncompliance, and to respect the highest ethical standards and follow-up on best corporate practices.

Although the results of the UK general election held on 12 December 2019 ensured the departure of the United Kingdom from the European Union on 31 January 2020, the terms of the agreement on the future relationship between both parties resulting from the negotiation process that should end by 31 December 2020 remain uncertain. During this transitional period, which might eventually go beyond the scheduled expiry date, no significant changes to the regulatory environment and the trade relations between the UK and the EU are expected which may affect the current operations of the Group in the country.

The level of divergence between the EU and the UK regulations following the end of the negotiations will determine the level of adaptation of the Group's business in such market.

The main risks for the Group arising from Brexit include potential delays in transit of goods, economic impacts arising from the imposition of tariff duties and currency fluctuation, potential restrictions to free movement of people, as well as risks stemming from contracts or management of key third parties.

3. Reputation

Risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

These risks stem from a potentially inappropriate management of the issues regarding corporate ethics, social and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance or noncompliance with best practices which might have an impact on the reputation of the Organisation.

4. Human Resources

The main risks relating to the field of human resources are those arising out of a potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, as well as in keeping an appropriate work environment at all work centres.

5. Operations

The main operational risks the Group addresses stem from a presumptive difficulty in recognising and taking in the ongoing changes in fashion trends, and manufacturing, supplying and placing on the market new models that fulfil customers' expectations. Likewise, risks arising from the increasing weight of technological innovations and evolutions in the broadest sense, both regarding interaction with customers and improvement of operating processes to ensure commercial success.

The risk arising out of business interruption is associated with the eventual occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or of key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc.,) that may significantly affect normal operations.

Given the way the Group operates, the main risks included in this category are found at logistics centres and in external operators charged with carriage of the goods. Apparel, footwear, accessories and homeware for all the brands are distributed from 14 logistic centres spread throughout Spain. Distribution logistics is also assured through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistic centres located in different countries and by external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, relating to the search and selection of prime business premises that meet the Company's exacting requirements, and their profitability. Additionally, the relation with certain suppliers of goods or services providers is subject to certain risks beyond our control which might have an impact on the normal course of certain operations of the Group.

6. Financial

In the ordinary conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever-growing international dimension of the Group's business, the Company is exposed to country risk in different markets.

Euro is the functional currency of the Group. Its international transactions involve using a large number of currencies other than euro, which gives rise to the foreign exchange risk. The Group has investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all Group companies are prepared in the functional currency, i.e., euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the Economic and Monetary Union (EMU). The Company also addresses the risk resulting from transactions in currencies other than euro in flows of collections and payments for acquisition of goods and provision of services both in respect of transactions within the Group and outside the Group.

The environment of negative interest rates existing in the Economic and Monetary Union entails a risk of loss in the Group's financial position.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is made on demand, either in cash or with credit card. At any rate, the Group deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the Company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

7. Information for the decision making

Risks included in this group are those associated with the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group, and especially the Planning and Management Control Department and the Administration Department, both of which report to the Financial Division, are directly responsible for producing and overseeing the quality of such information.

8. Technology and IT systems

Risks in this group include those associated with the technological infrastructure, the effective management of information, of computer and robotic networks and of communications. Risks connected with the physical and technological security of IT systems are also included, namely the risk of cyber-attacks against IT systems, which might eventually affect the confidentiality, integrity and availability of critical information.

9. Corporate Governance

This category includes the risk associated with the potential existence of an inappropriate management of the Group stemming from potential noncompliance by members of management or board members with existing regulations, recommendations, or best practices in the field of Corporate Governance, with transparency regulations of regulatory authorities, or even from lack of professional ethics in such management.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk

The Group relies on standard criteria to identify, assess and prioritise risks, based upon the concept of risk tolerance as key tool.

It is incumbent on Senior managers to establish risk strategy and tolerance, which must reflect the volume of risks the Group is willing to assume, to reasonably achieve its objectives and interests. Such tolerance is regularly updated, at least every time the Group strategy changes.

Once the risk tolerance for strategic and business objectives of the Group has been defined, it is duly disclosed to the Corporate Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

E.5. State which risks, including tax compliance risks, have materialised during the year

Risks inherent in the business model, the Group's activities and the market environment, have materialised in the year, as a result of circumstances inherent in the conduct of business and the prevailing economic climate. The Group operates globally and therefore, it is exposed to the foreign exchange risk in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In 2019, the depreciation of non-euro currencies has had a slightly positive impact on the Company's sales growth rate, and a slightly negative impact on sales cost.

Foreign exchange risk is managed pursuant to the guidelines set out by the Group's Management, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates fluctuation, and other measures aimed at mitigating such risk.

The evolution of the political situation in the United Kingdom has resulted in a high level of market uncertainty in the year, although its impact has not been significant for the Group.

Coronavirus (Covid-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

From the moment the existence of this outbreak become known, the Group has been continuously following up on its current impact, and its potential short-term and mid-term effects.

The Group's first and foremost concern has always been ensuring the health and well-being of its employees, customers and of anyone who directly or indirectly renders the services or supplies the goods required for the smooth operation of its business, taking at all times the appropriate prevention and mitigation measures. In this regard, Inditex is timely apprised and updated on the development of the crisis, taking into account at all times the guidelines and recommendations of the relevant public authorities and institutions.

Inditex has launched a global contingency plan at its work centres to protect its employees from potential risks of infection and spread of Covid-19. Such plan includes preventive measures (such as improving hygiene, restricting visits and travel), organisational measures and measures relating to health coordination, which are implemented based upon the level of seriousness of the different estimated scenarios. Thus, in such regions and areas where exposure to the virus is high, extreme caution is exercised and all required measures and tools have been made available to employees (namely to such groups of employees identified as being at greater risk) to encourage remote work, ensuring that they can work normally. Additionally, the evolution of the situation is being closely monitored for the purposes of successfully coping with any potential impacts, both financial and non-financial, resulting thereof.

With regard to procurement, given the Group's flexible business model, its supply structure is largely diversified in different geographical areas, which allows it to shift among different sources to adapt to circumstantial situations.

In some of the markets most affected by the virus, the Company has been compelled to shut down all its stores, following the instructions of competent authorities. In other markets, some stores are being temporarily or intermittently closed. As of this day it is complicated to foresee how long will the stores remained close. The online business continues to develop as normal in all markets.

Directors and the Management have assessed the current situation based upon the best available information to date and in accordance with accounting standards. Inditex has booked an inventory provision of €287 million to account for the impact that Covid-19 might have on the estimated net realizable value of the Spring/Summer inventory position at 31 January 2020.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise

The Group relies on response plans that seek to reduce the impact and likelihood of materialisation of the critical risks described in section E.3 above, or to improve the level of preparedness versus risks.

The main specific response plans for each risk category are explained below:

1. Business environment

In order to reduce risk exposure in this area, the Group carries out a feasibility study in respect of each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the estimated figures are met or not. Moreover, the Group's business model is based not only on managing new openings, but also on improving the efficiency and effectiveness of existing markets, business lines and stores, so that the growth achieved via expansion and diversification, is complemented by the organic growth of the existing business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and its commitment to the full integration of all the channels and the use of new technologies as an alterantive channel of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

Likewise, production and procurement have been designed based upon a model which ensures a reasonable flexibility which permits adapting production to market demands and to potential changes in the environment of procurement markets.

2. Regulatory risk

The General Counsel's Office – Office of the Chief Compliance Officer (GCO-OCCO) is charged with managing the Model of Compliance of the Company. In particular, GCO-OCCO undertakes a triple function consisting of organisation, coordination and reporting duties.

Organisation duties means that the GCO-OCCO oversees the process of preparing the Company's internal regulations (Polices, Procedures and Instructions) and, approves them, where appropriate.

The GCO-OCCO is also responsible for coordinating Compliance functions assigned to other departments or areas where Compliance risks exist, by means of a periodic reporting system.

In order to mitigate exposure to regulatory risks, in particular to criminal risks – including the risk of criminal offences relating to corruption, fraud and bribery – the Group relies on a structure of high level basic regulations and a number of organisational documents which constitute the main pillars of the Company's cross-cutting Compliance system: the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group. A full description of both of them is provided in section F-1.2 below.

To prevent criminal offences, Inditex relies on an organisational and management model known as the Model of Criminal Risk Prevention, made up of three different documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls (the "Model of Criminal Risk Prevention"). The Policy associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent, and the Procedure covers the organisational measures to prevent commission of offences. Criminal risks identified and controls set to prevent the commission of offences are listed in the Scoping Matrix.

Inditex Model of Criminal Risk Prevention, approved by the Board of Directors in 2016, is subject to an ongoing evaluation and improvement process. In particular, the Scoping Matrix of Criminal Risks and Controls is permanently updated by; (i) regularly reviewing potential risks inherent to the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes in the Company's organisation; and (ii) the monitoring of the controls implemented, taking into account risk prioritisation determined in the risk map.

Within the scope of such Model of Criminal Risk Prevention, a number of internal regulations have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates, the most relevant of which are:

- The Policy on Donations and Sponsorships.
- The Policy on Gifts and Business Courtesies.
- The Policy on Dealings with Public Servants.
- The Conflicts of Interest Policy
- The Anti-Money Laundering and Terrorist Financing Policy
- The Due Diligence Policy
- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets

The Committee of Ethics that reports to the Board of Directors through the Audit and Compliance Committee, is responsible for overseeing compliance with the Model of Criminal Risk Prevention and the effectiveness and appropriate implementation of the controls therein set - the GCO-OCCO being responsible for the material performance thereof - , and with ensuring that such Model meets the prevailing legal requirements from time to time in force.

The Committee of Ethics as the decision-making body, and the GCO-OCCO as operational body, make up the so called Compliance Function.

The Company relies on a Whistle Blowing Channel (currently renamed as the "Ethics Line") described in section F.1.2 below.

Protection of personal data of its customers and employees is a top priority at Inditex, including privacy from design and by default in its processes.

To ensure such protection, Inditex has in place a compliance model in the field of data protection and privacy, managed by the Data Protection and Privacy department, overseen by the the Group's global Data Protection Officer (DPO). At the core of such model is the Compliance Policy regarding Personal Data Protection and Privacy, approved by the Board of Directors. The Policy covers the principles and commitments championed by the company to ensure observance of applicable regulations on data protection and privacy in all the jursidictions where it conducts business, and respect for the rights of all concerned parties (customers, users, employees, etc.,)

3. Reputation

The Group relies on a Policy on Human Rights and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics and the Sustainability Department are responsible for enforcing and construing both internal regulations. Meanwhile, the General Counsel's Office –Office of the Chief Compliance Officer imparts training to employees on the Code of Conduct and Responsible Practice. The newly formed Sustainability Committee will be responsible for following up on the Group's Sustainability strategy and practices.

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-assessment audits, based on the review carried out by qualified social auditors of the facilities which are necessary to manufacture the fashion items that the Group retails, for the purposes of minimising any potential risk to the Group's reputation on account of improper conducts of third parties. Such specific programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers and suppliers must comply with. Such Compliance Programme is complemented with the "2019-2022 Workers at the Centre" strategy that focuses on workers within the supply chain and their well-being, and through partnerships with different stakeholders, including without limitation, the Global Framework Agreement executed with IndustriALL Global Union, or alliances with the International Labour Organisation (ILO). Additional information on this and other programmes is available in the Annual Report and on the corporate website.

The Group also has in place an Environmental Sustainability Policy that covers all the environmental commitments undertaken by the Group applicable across all its business areas and the entire supply chain. Under such Policy, three environmental strategies are implemented to ensure the best possible protection of environmental resources: the Biodiversity Strategy, the Global Water Management Strategy and the Global Energy Strategy. In line and in addition to such strategies, mention should be made of Inditex's commitment to forest products, materialised in the Forest Product Policy. Current 2016-2020 Strategic Environmental Plan is mainly focused on clean energy and the implementation of circular management models at headquarters, logistics centres, factories and stores, including the "Closing the Loop" programme. Additional information on this and other programmes and initiatives is available in the Annual Report and at the corporate website.

In line with the Global Energy Strategy, the Group is a member of the UN Fashion Industry Charter for Climate Action (UNFCCC) with the initial medium-term objective of reducing its GHG emissions by 30% by 2030. The Group is also a signatory of the Fashion Pact and as such, is committed to working within the framework of the Science-Based Targets (SBT) initiative, that sets science-base reduction targets and which focuses on three essential pillars to protect the planet: stopping climate change, restoring biodiversity and protecting the oceans.

The Company seeks to play a leading transformative role in the industry and is committed to fully eliminating the use of plastic bags by 2020 as well as all single-use plastics for customers sales by 2023. Likewise, before 2025, 80% of the energy used in the Group activities (stores, logistic centres and offices) will be renewable. With regard to raw materials, 100% of the cotton, linen and polyester used will be organic, sustainable or recycled by 2025.

In such sizable and visible organisations as the Group, certain conflicts might arise out of an inappropriate relationship with third parties alien to its operations (e.g., CNVM, media, investors, financial analysts, public authorities, etc.,).

Through the Communication and Corporate Affairs Division and the Sustainability Department, the Group sets out the procedures and protocols required to mitigate this risk. Likewise, given their relevance, the General Counsel's Office-Office of the Chief Compliance Officer, and the Capital Markets Department are charged with managing specifically the relations with CNMV, the relations with investors and financial analysts being incumbent on the latter.

Likewise, different departments, including the Communication and Corporate Affairs Division, are responsible for monitoring the image of the Group in all environments, including social media.

To reduce the risks associated with the description of finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications of the health and safety of the products standards ("Safe to Wear" and "Clear to Wear"). Enforcement of such standards is mandatory across the supply chain for all the products sold.

Likewise, the Group has in place the so called Integrity Policies: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships; and, (iii) the Policy on Dealings with Public Servants.

4. Human Resources

The action lines followed by the Department of People are explained in detail in the relevant section of the Annual Report and in the Statement on Non-financial Information.

The work system implemented within the Organisation encourages the transfer of knowledge and the involvement of all employees with the Company's culture and operations. Career development, training and compensation policies seek to encourage development of all teams, give career development opportunities to the more talented people and retain key employees. Additionally, the Group carries out selection and recruitment processes to ensure the continuous arrival of talent at all areas of the Company. With such proceedings and the continuous improvement of Group policies relating to people, risk arising from concentration of knowledge in key people is reduced.

On the other hand, a growing demand has arisen lately within the labour market, concerning companies' corporate social responsibility, which has become a key factor upon selecting a company for the job of choice. In this regard, the Group has implemented a number of initiatives around different focal points of action.

The Diversity and Inclusion Policy applies globally to the Company. The Inditex Group has implemented equality plans that include measures to promote commitment to and effective implementation of the principle of equal opportunities between women and men, contributing to reduce inequality and imbalance, preventing discrimination at work, ensuring a healthy work environment and providing actions to promote work-family balance.

The Group also encourages volunteering in community service projects so that employees may work on their social concerns wherever the Company operates. A number of programmes and projects have been implemented in this field offering employees different extents of collaboration.

5. Operations

The Group reduces exposure to this type of risk through a production and procurement system that ensures a reasonably flexible response to unexpected changes in customers' demand. Stores and online teams are permanently in touch with the team of designers, through the Product Management Department, and this allows perceiving customers' changes of taste. Meanwhile, vertical integration of transactions allows reducing lead and delivery times as well as stock volumes, while at the same time, the reaction capacity to introduce new products throughout each campaign is kept.

Given the relevance that an efficient logistics management has on the materialisation of such risks, the Group reviews all the factors which might have a negative impact on the target of achieving maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

To mitigate the risk resulting from business interruption, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, the size and use of all centres has been optimised, based upon the size of each brand or the specific requirements of the geographic area which they service. In particular, part of the above mentioned logistics centres specialises in distribution of goods sold online. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure in respect of this type of risks, by means of high levels of prevention and protection measures at all its distribution centres, in addition to insurance policies covering both any potential property damage incurred by the facilities and stock, and any loss of profit which might result from any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new logistic centres or extending the existing ones, so as to minimise the risk associated with the logistics planning and sizing.

- Investing towards improvement and automating processes in the existing hubs aimed at increasing their capacity and efficiency and improving the internal control on goods stored in such centres. In this regard, mention should be made of the progressive use of RFID technology across the supply chain, which permits achieving a very high degree of control on goods.

- The search, approval and monitoring of external logistics operators at different strategic points, with full integration in the logistics capacity of the Company.

With regard to the potential risk of goods detention during carriage process, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with real estate management, associated with the search and selection of business premises and their profitability, by monitoring all the markets where it operates, considering the suitability of premises prior to their opening, and overseeing all new store openings through the Expansion Committee.

6. Financial

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Financial Risk Management Policy that mainly seeks to downplay the probability of economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materialises in terms of net investment, translation and transaction risks. The Policy sets the guidelines to manage all such risk exposures and centralises exchange management at headquarters by the Financial Management Department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. Within the scope of its financial risk management policy, the Group uses the Cash-Flow-at-Risk (CFaR) methodology, for the purposes of estimating the potential impact that the fluctuations of the exchange rates might have on the consolidated pre-tax results and, as the case may be, determining the relevant mitigation strategy. The Group also uses the Value-at-Risk (VaR) method to manage translation risk in the most relevant accounting entries. Forward contract is currently the main hedging instrument. Additionally, other derivatives, such as zero cost option strategies and option buying strategy and swaps are used, to a lesser extent.

The Payment Management Policy sets out the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. The Policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Management Policy covers the potential exceptions and the procedure to authorise them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage financial transactions on behalf of the company, including payments, the level of authorisation according to the Group to which they belong, the authorised amount of the transaction and the required pairing of proxies according to such criteria.

The Group's Investment Policy seeks to ensure security, integrity and liquidity of the Company's financial assets. It provides the guidelines which need to be observed by counterparties, which are classified in panels based upon their rating, solvency and relevance for the Group profile. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk. The Group also relies on the VaR method to assess the credit risk of its investment portfolio.

Likewise, the Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

7. Information for the decision making

In order to reduce exposure to this type of risks, the Group regularly reviews the management information disclosed to the different managers and invests, inter alia, in systems for transmission of information, data analysis and intelligence for the decision-making, process optimisation (distribution, logistics, etc.,), business monitoring and budgeting.

The Information Security Department is responsible for ensuring that such information is available to and/or amended, exclusively by the persons authorised to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control over Financial Reporting (ICFR) System aimed at achieving a continuous follow-up and assessment of the main associated risks, which permits to reasonably ensure the reliability of the public financial information of the Group. Additional information on this issue is available in Section F below.

The Group is currently working on developing and implementing its internal control systems to enhance reliability of the non-financial information disclosed to the market.

In addition, the consolidated Annual Accounts and those of all relevant companies, as well as the Statement on Non-financial Information, which is a part of the Directors' Report, are reviewed by the external auditors, who are also in charge of carrying out certain audit works relating to financial information. Likewise, with regard to the most significant companies of the Group, external auditors are requested to issue recommendations on internal control.

8. Technology and IT systems

Given the importance the smooth running of technological systems has for the achievement of its objectives, the Group exercises, through the Information Security Department and with the support of the Information Security Committee, permanent control on such systems, aimed at ensuring streamlining and consistency thereof, in addition to the security and stability required for business continuity. The Group is aware that its systems will require continuous improvement and investment to prevent obsolescence and keep their response capacity at the levels required by the Organisation.

As a benchmark, aimed at keeping security and integrity of information and of the elements which process it, the Group relies on the Information Security Policy. The achievement of the objectives described in the Policy revolves around the following overarching principles: (i) classification of information, in accordance with its value, relevance and criticality for the business; (ii) limited use of information systems to lawful and exclusively professional purposes; (iii) segregation of duties to avoid risks; (iv) setting retention periods by information category, where necessary or convenient; (v) setting monitoring procedures to control how information is made available to third parties; (vi) Security in Information Systems; (vii) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and (viii) alignment of Information systems and communications of the Group with the requirements of applicable laws and regulations. Additionally, the roles, responsibilities and the remit of the different departments and bodies of the Organisation are defined. The Information Security Policy is accepted by all users with access to information and is available on the Company's intranet (INET).

For the specific purpose of keeping continuous systems operation, the Group relies on technical and procedural contingency systems which would, together with the associated technical procedures, reduce the consequences of any breakdown or stoppage. Technical contingency systems include, without limitation, the main data centre - TIER IV certified (availability) - as well as the storage of synchronous data in redundant locations exposed to different physical or geological risks, or the duplicity of teams and lines.

Additionally, the Information Security Department exercises control duties as a second line of defence in an independent manner. It relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyber-attack. Such controls would allow anticipating and/or reducing the consequences of risk materialisation, together with insurance policies covering loss of profit, expenses stemming from cyber-attack and civil liability of the company for damages incurred by third parties. Based upon the available information, the Organisation considers that these controls have been successful to date. Particularly, regarding the e-commerce environment, the Group meets the requirements of the Payment Card Industry Data Security Standard (PCI DSS) and has certification for compliance with ISO/IEC 27011 in Information Security.

Meanwhile, the risk map for technology and Information security risks is implemented on an annual basis. Such map seeks to provide an aggregated view of the Group's situation that permits setting the relevant mitigation and continuous improvement measures.

However, taking into account that every year a large number of hackers attempt to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is one of the top priorities of the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the Organisation, cannot be ruled out.

9. Corporate Governance

In order to downplaay this type of risks, the alignment of the Company's corporate governance system (comprising the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations, the Sustainability Committee's Regulations, the Internal Regulations of Conduct regarding Transactions in Securities, the corporate policies on risk control and management, and the internal conduct regulations of the Group) with the applicable regulations regarding Corporate Governance from time to time in force (including, without limitation, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct, among others), must be ensured.

For such purposes, the Audit and Compliance Committee conducts an annual review of the Corporate Governance System to establish the extent of compliance therewith and its alignment with regulatory developments, recommendations, standards and best practices existing in the field, and systematically reinforce good corporate governance practices across the company's governing bodies.

Additionally, the performance of the Board of Directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board (non-member), is subject to an annual self-evaluation process, led by the Nomination Committee.

Inditex relies on the Internal Regulations of Conduct (IRC) that sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use of inside information, and other relevant information of the Company.

The Compliance Supervisory Board and the Chief Compliance Officer, who reports to the Audit and Compliance Committee every six months, are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act of its own motion or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relation and with a lawful business or professional interest, by submitting a report in good faith.

Meanwhile, the Audit and Compliance Committee regularly reviews whether potential conflicts of interest or related-party transactions detrimental to the interests of the Company and/or the shareholders exist, in accordance with a regulated review and assessment procedure, and subject to approval by the Board of Directors. In the performance of this function, the Committee is supported by the General Counsel's Office – Office of the Chief Compliance Officer that feeds on the information regularly provided by board members and senior managers through specific questionnaires.

This type of risk is reduced ensuring the appropriate proceedings of governing and managing bodies and improving internal control, transparency and corporate responsibility within the Company, thus building up trust among shareholders and investors.

With regard to supervision, the Board of Directors and the Audit and Compliance Committee are the main governing bodies responsible for enterprise risk management.

1. The Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and organising the appropriate internal control and information systems.

2. The Audit and Compliance Committee

The duties of the Audit and Compliance Committee include assisting the Board of Directors in its supervision and monitoring duties, by reviewing the internal control systems. The powers of the Audit and Compliance Committee are set forth in the Articles of Association, the Board of Directors' Regulations, and the Audit and Compliance Committee's Regulations.

The Audit and Compliance Committee's Regulations provide that it is incumbent on such body, exclusively comprised of non-executive directors, inter alia: to oversee the effectiveness of the internal control system of the Company, the internal audit and the risk management systems covering both financial and non-financial risks, including tax risks and risks associated with corruption, and to review with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, in the conduct of the audit, and to oversee the process for preparing and releasing the regulated financial and non-financial information.

Additionally, the Audit and Compliance Committee is responsible for overseeing the Internal Audit Department, ensuring its independence and effectiveness. To this end, the Committee is charged with: (i) evaluating the proceedings of the Internal Audit function and the performance of the Chief Audit Officer; (ii) ensuring that the function relies on the appropriate material and human resources, whether internal or external, to discharge its duties; and, (iii) approving the Internal Audit Plan and the annual activities report of the Internal Audit function-regularly receiving information on the proceedings carried out by Internal Audit - ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group.

In the current organisational structure, the Internal Audit Department is directly linked to the Board of Directors, to which it reports functionally, through the Chair of the Audit and Compliance Committee, thus ensuring the full independence of its proceedings.

The mission of the Internal Audit function is defined in the Group's Internal Audit Charter, and it consists of contributing to the good running of the Group, by assuring an independent and effective supervision of the internal control system, and providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organisation.

Likewise, according to such Charter, the objectives of the Internal Audit function include, without limitation: issuing the recommendations it may deem appropriate to improve the governance process; evaluating the effectiveness of the risks management processes and contributing to the improvement thereof; ensuring the good running of the information and internal control systems, and ensuring the uniform and effective enforcement of the policies and procedures which make up the internal control system.

ICFR

THE INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEMS WITH REGARD TO FINANCIAL REPORTING

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F. Describe the mechanisms comprising the internal control and risks management systems with regard to financial reporting (ICFR) of your entity

F.1. Entity's control environment

Give information describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its monitoring

Board of Directors

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the Board of Directors is the supreme decision-making, supervisory and monitoring body of the Company, being ultimately responsible for the existence and update of an appropriate and effective ICFR System, as provided in the Policy on Internal Control over Financial Reporting System (the "ICFR Policy"), approved by the Board of Directors itself.

The Board of Directors is entrusted with the duties of leadership, management and representation of the Group, delegating as a general rule the management of the day-to-day business of the Company to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, evaluating officers' performance, making the most relevant decisions for the Group and liaising with the shareholders.

Audit and Compliance Committee

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and the Audit and Compliance Committee's Regulations, and as part of its financial and monitoring duties, it is incumbent on such Committee to oversee the process for preparing and releasing the regulated financial information, and as provided in the ICFR Policy, to oversee the effectiveness of the ICFR System.

In this regard, the Committee discharges, *inter alia*, the following duties:

- Overseeing the effectiveness of the internal control system of the Group, the internal audit, and the risks management systems, including tax risks, as well as discussing with the statutory auditor the significant weaknesses of the internal control system revealed, a the case may be, in the course of the audit.
- With regard to the powers regarding the process to prepare the regulated financial information:
  - Overseeing the process of preparation and presentation as well as the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and overseeing the review of the interim financial statements requested from the statutory auditor, with the scope and frequency that may be defined, as the case may be.
  - Reviewing compliance with statutory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable;
  - Maintaining a fluid communication with the Company's Management to understand its decisions regarding the application of the most significant criteria; with the Internal Audit Function to be apprised of the findings of the reviews carried out;

and with the external auditors or verifiers, to obtain their opinion regarding financial and non-financial information;

- Being familiar with, understanding and overseeing the effectiveness of the internal control over financial information system and receiving information on a regular basis from the supervisor thereof;

- Submitting recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information;

- Assessing and advising the Board of Directors on any significant changes in accounting standards and on the significant risks on the balance sheet and off-balance sheet;

- With regard to enterprise risk management:

  - Overseeing the enterprise risk management function and establishing that it operates pursuant to the provisions of the policy approved by the Board.

  - Receiving on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, and on any significant internal control weakness detected by external auditors.

  - Assessing the effectiveness of internal control and management systems relating to financial risks, as well as of the measures established to mitigate the impact of identified risks.

  - Promoting a corporate culture within the Company wherein risk is a factor upon decision-making, at all levels of the Company and its Group.

  - Identifying and re-assessing, at least on an annual basis, the most significant financial risks and the level of risk tolerance.

  - Identifying and understand emerging risks as well as their alert mechanisms, and regularly assessing their effectiveness.

  - Ensuring that risks are kept and managed within the levels of risk tolerance set by the Board.

  - Meeting with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.

  - Submitting recommendations or motions to the Board of Directors and the relevant deadline for follow-up.

Most members of the Audit and Compliance Committee are non-executive independent directors. The Committee meets on a quarterly basis and whenever it is called by its Chair. In 2019, the Audit and Compliance Committee has met 5 times.

Financial Division

The Financial Division is responsible for the design, roll-out and implementation of the ICFR system, as provided in the ICFR Policy, keeping the system updated, monitoring its design and proceedings to ensure that it is effective and appropriate, communicating and training the parties involved and keeping a periodic report.

The Financial Division sets out and circulates the policies, guidelines and procedures, associated with financial reporting and is charged with ensuring the appropriate enforcement thereof within the Group.

Internal Audit

The mission of the Internal Audit function consists of supporting the Board of Directors, through the Audit and Compliance Committee, upon executing the supervisory function relating to risk exposure, ensuring that appropriate and effective controls are set as an answer to risks in the field of governance, operations and information systems, regarding, *inter alia*, reliability and integrity of financial information and in particular, the Internal Control over Financial Reporting (ICFR) System. To achieve this, Internal Audit performs specific periodic ICFR audits, requests action plans to correct or reduce any weaknesses revealed and follows up on the implementation of the proposed recommendations.

Internal Audit relies on an Internal Audit Chart, approved by the Board of Directors, which covers its mission, authority and responsibilities pursuant to both domestic and international regulations and standards for the professional practice of internal auditing.

Likewise, Internal Audit has been awarded the certificate of compliance with the “International Standards for the Professional Practice of Internal Auditing” by the Instituto de Auditores Internos, a member of the IIA (Institute of Internal Auditors).

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for the effective circulation within the company.

The Board of Directors is responsible for the design and review of the organisational structure and the lines of responsibility within the Group. The departments charged with drawing up the financial information are found within such structure.

Senior managers and the Human Resources Department ("HRD" or the "Human Resources Department") define the duties and responsibilities of each area. Additionally, the Compensation area, that reports to the HRD regularly assesses the classification, description and duties of each position. Such duties are disclosed to each of the affected areas.

For the purposes of drawing up the financial information, the Group has clearly defined lines of authority and responsibility. The main responsibility regarding financial reporting lies with the Financial Division.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Division and disclosed by the HRD.

To carry out its activity, the Financial Division is organised in a number of departments: Administration, Planning and Management Control, Treasury, Risk Management, Tax, and Processes and Projects.

With regard to the ICFR System, a specific management area has been created within the Financial Division, to which it reports, (the "ICFR Area").

The Group relies on financial organisational structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, *inter alia*, with complying with the procedures set out within the ICFR System.

Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific mentions to the recording of transactions and the drafting of financial information), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Board of Directors approved in the meeting held on 17 July 2012, following a favourable report of the Audit and Compliance Committee, the Code of Conduct and Responsible Practices of the Inditex Group and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Likewise, the Board of Directors approved on 19 September 2017 following a favourable report of the Audit and Compliance Committee, the so called Integrity Policies of the Inditex Group.

The main internal conduct regulations of the Group are provided in:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Integrity Policies, which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships, and; (iii) the Policy on Dealings with Public Servants
- The Conflicts of Interest Policy
- The Internal Regulations of Conduct regarding Transactions in Securities (IRC)

The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relations between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, *inter alia*, that according to which the Inditex Group shall carry out all its transactions under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

> *"Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.*
>
> *Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.*
>
> *Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.*
>
> *Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."*

The Policy on Criminal Risk Prevention

The Policy on Criminal Risk Prevention associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent.

Similarly to the provisions of the Code of Conduct and Responsible Practices, section 2.9 of the Policy reads as follows: *"(…) any transaction of economic weight carried out by the Company shall be clearly and accurately recorded in appropriate accounting records that show the true and fair image of the transactions carried out. Such records must be made available to internal and external auditors.*

Inditex's employees shall enter the full financial information into the Company's systems in a clear and accurate manner so that they will show, as at the relevant date, its rights and obligations in accordance with the applicable regulations. Likewise, they shall ensure that the financial information that must be disclosed to the market under the prevailing regulations in force, is accurate and full.

Inditex is committed to implementing and keeping an appropriate internal control system in respect of financial reporting, ensuring that the effectiveness of such information is regularly monitored. For such purposes, required training will be offered so that employees may be apprised of and understand the company's commitments in the field of internal control on financial information."

As stated in section E.6. above, the Policy, together with the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls, comprise the Model of Criminal Risk Prevention of the Inditex Group. The Committee of Ethics is the governing body responsible for overseeing compliance with such Model and the effective and appropriate implementation of the controls therein set.

IRC

Compliance with the IRC is mandatory for all the persons included in its scope of application and any noncompliance may be reported in a confidential manner to the Committee of Ethics, pursuant to the provisions of the Ethics Line Procedure.

In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be, on account of civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Compliance Supervisory Board (the "CSB") which reports directly to the Audit and Compliance Committee. Such Supervisory Board is composed of:

- The Executive Chairman

- The General Counsel and Secretary of the Board

- The Chief Financial Officer

- The Capital Markets Director, and

- The Chief Human Resources Officer.

CSB is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, the Office of the Chief Compliance Officer (the "OCCO") exists within the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, *inter alia*, with enforcing the conduct regulations of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The IRC sets outs the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use and dissemination of inside information and other relevant information of the Company.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be inside informaiont and/ or other relevant information, and namely financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the CSB and the OCCO shall ensure that the above referred principles are observed.

With regard to the IRC, the OCCO keeps a General Documentary Register of all Affected Persons. The OCCO informs Affected Persons that they are subject to the provisions of the IRC and reports any breaches and penalties which may arise, where appropriate, from an inappropriate use of reserved information.

Likewise, the OCCO informs the Affected Persons that they have been included in the General Documentary Register.

Compliance with the Codes of Conduct of the Inditex Group and, in general, with its internal regulations of conduct is ensured through the Committee of Ethics, composed of:

- The General Counsel and Chief Compliance Officer, who chairs it.

- The Chief Audit Officer.

- The Chief Sustainability Officer

- The Chief Human Resources Officer

The Committee of Ethics may act of its own motion or at the behest of any employee, manufacturer or supplier of Inditex, or any third party involved in a direct relation and with a lawful commercial or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Compliance Committee and has the following duties:

- To oversee compliance with the Code and the internal circulation thereof to the Group's s personnel.

- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or department which may be responsible for processing and issuing a resolution regarding such instrument.

- To oversee the ethics line (formerly known as the "Whistle Blowing Channel") and compliance with the Ethics Line Procedure.

- To monitor and control proceedings and their settlement.

- To solve any doubts which may arise, regarding the enforcement of the Code.

- To propose to the Board of Directors, following a report of the Audit and Compliance Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.

- To promote training plans for employees on internal conduct regulations and the proceedings of the ethics line.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.

- To ensure that the Ethics Line is properly run, and that the privacy of the Parties concerned is protected, the Committee of Ethics may manage ex-officio anonymous concerns.

- The thorough review of any information or document that triggered its action.

- The commencement of proceedings that adjust to the circumstances, of the case, where it shall always act with independence, fully respecting for the right of the parties to be heard, to honour and to the presumption of innocence.

- Prohibition of retaliation, and indemnity of anyone who reports through the Ethics Line in good faith.

Further to the launching of appropriate proceedings, the Committee of Ethics will take, as the case may be, the relevant prevention, remediation and/or disciplinary measures, including referring the resolution to the relevant department which will be charged with taking, and at any rate applying, the remediation measures which may be necessary. Such remediation measures shall be reported to the Committee of Ethics.

Decisions of the Committee of Ethics shall be binding for the Inditex Group and its employees.

The Committee of Ethics submits a report to the Audit and Compliance Committee at least every six months, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Compliance Committee apprises the Board of Directors, on an annual basis as well as whenever this latter so requires, of the enforcement of the Code of Conduct and Responsible Practices and the additional documents which comprise the Model of Compliance with internal regulations, from time to time in force.

With regard to the dissemination of the above referred conduct regulations, it is incumbent on the Human Resources Department to circulate a copy of the Code of Conduct and Responsible Practices to any employee when they join the organisation.

Likewise, conduct regulations as amended are available on the corporate website (www.inditex.com), under the Compliance tab, and on INET; they are subject to the appropriate measures regarding disclosure, circulation, training and awareness-raising, so that they may be understood and implemented within the whole organisation.

Whistle blowing channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating where appropriate, whether reports made through this channel are confidential.

An Ethics Line is available to all employees of the Group, manufacturers, suppliers or third parties with a direct relation and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report, even anonymously and within the remit of the Committee of Ethics, any breach of the Group's internal conduct regulations by employees, manufacturers, suppliers or third parties engaged in an employment, business or direct professional relations with the Group, which affect Inditex or its Group.

Therefore, any breach and/or any manner of malpractice, including those of a financial and accounting nature, may be reported.

The Committee of Ethics is responsible for overseeing the Ethics Line and compliance with the Ethics Line Procedure.

The proceedings of the Ethics Line are described in the Ethics Line Procedure approved by the Board of Directors on 17 July 2012 and recently amended on 10 December 2019. The Ethics Line Procedure clarifies and reinforces guarantees and protective measures for all parties in the process: (i) maximum confidentiality; (ii) non-retaliation; (iii) presumption of innocence and respect for the right to honour of reported parties; (iv) the right of the parties to be heard, and; (v) appropriate use of personal data processed.

Full information on the Committee of Ethics and the Ethics Line is available on the intranet and on the corporate website (www.inditex.com), under the recently added "Compliance" tab, with direct access to such Line.

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct regulations may be sent to the Company either by post - for the attention of the Committee of Ethics to the following postal address: Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña (Spain) – or by e-mail - (canaletico@inditex.com) - .The confidentiality of such reports or queries is ensured.

Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management

The Training and Career Development area of the Group, which reports to the Human Resources Department, is charged with preparing, together with each of the areas reporting to the Financial Division, training and refresher courses for the different staff members involved in drawing up and overseeing the financial information of each and every company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of regulatory developments on financial reporting and supervision of financial information.

General Induction

Aimed at gaining internal knowledge of each business unit, as well as of each department and the respective activities, functions and duties within the business.

Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters and their training is completed at any of the subsidiaries of the Group.

Specific training

Group employees involved in processes associated with the drawing up of financial information regularly receive training and refresher courses that seek to acquaint employees with local and international regulations on financial reporting, as well as with existing regulations and best practices in the area of internal control. An e-learning platform is available to employees, to train them on issues regarding financial reporting or information security.

Within the financial environment, such training and refresher schemes are arranged by the HRD liaising with each of the areas of the Financial Division.

Training courses are provided on an annual basis for all new heads of financial areas in each country, in order to get them acquainted with the Group's management model, as well as with the internal control over financial reporting system implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used to draw up the financial information.

With regard to specialised training run to employees of the different departments of Financial Division in the year, the following stand out, without limitation:

- Internal Control over Financial Reporting System

- International accounting standards : IFRS 16, IFRS 17

- Tax update per country

- Main issues regarding drafting of the Statement on Non-financial Information

- Course on data science and big data for finances

- Training on ERM: regulatory environment, financial risks, emerging risks

- Tax update

- Advanced Financial Management Program.

Additionally, subsidiaries have in place training schemes regarding the different local accounting regulations.

F.2. Risks assessment in financial reporting

Give information on at least:

F.2.1. The main features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented

The risk identification process has been documented in the Procedure for Enterprise Risk Management regarding Financial Reporting. This Procedure seeks to describe the mechanisms for identifying and assessing, on an annual basis, the risks which might lead to material errors in financial reporting.

- **Whether the process covers all the goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; rights and obligations); whether the information is updated and how often.**

The above referred risks management process consists of five stages:

- Gathering financial information.
- Identifying the operation cycles with an impact on financial information.
- Assessment of risks by the reporting unit of financial statements.
- Prioritisation of accounts criticality.
- Checking risks versus operational cycles.

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of ICFR) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of the financial statements, the assertions or goals of financial information in respect of which any risks may exist, and the prioritisation of operational processes which have an impact on financial information.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; and (v) rights and obligations.

Following the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

- **The existence of a process to identify the consolidation perimeter taking into account, *inter alia*, the potential existence of complex corporate structures or special purposes vehicles**

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such Master is at the basis of the consolidation perimeter and is managed and updated in accordance with the Procedure for Incorporating and Financing of Companies.

The Master covers, on the one hand, general corporate information, such as company name, accounting date and currency, and on the other, legal details such as the date of incorporation, share capital, list of shareholders, equity interest, and other relevant information. The Legal Department is responsible for updating the Master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.,), to the extent that they might have an impact on financial statements.**

In addition to the above referred quantitative and qualitative factors, the main risks identified through the Risks Map of the Inditex Group are considered in the process for the assessment of financial information risks.

Potential risks identified through the Scoping Matrix of ICFR are taken into account upon preparing the Risks Map of the Group, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the Financial Division) with the assistance of all areas of the organization involved in the process. The Group may thus consider the impact that the remaining risks may have on financial statements. Such risks are classified as follows: Business Environment, Reputation, Regulatory Risks, Human Resources, Operations, Financial, Information for the decision-making, Technology and IT Systems, and Corporate Governance.

- **Which governing body of the company is charged with overseeing the process.**

The entire process is overseen and approved on an annual basis by the Audit and Compliance Committee.

F.3. Control activities

Give information on the main features if at least the following exist:

F.3.1. Procedures to review and authorise financial information and ICFR description, to be disclosed to stock exchanges, stating who is in charge thereof, as well as the documentation describing the activities and control flows (including those concerning fraud risk) for the different types of transactions which may have a material impact on the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgment, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, the Audit and Compliance Committee is responsible, *inter alia*, for reviewing the annual accounts and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, verifying at all times compliance with the legal requirements and the appropriate use of generally accepted accounting principles upon drawing up such information.

Likewise, the above referred Regulations provide that the Audit and Compliance Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and release as its annual public documentation.

Meanwhile, the ICFR Area monitors the effective functioning of the ICFR System and apprises the Financial Division and, where appropriate, the Audit and Compliance Committee, of the findings of such monitoring.

The Group relies on mechanisms to review financial information. Each of the organisational structures shall be responsible for reviewing the periodic financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate financial level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Division and the external auditors meet, for the purposes of reviewing and assessing the financial information.

The Audit and Compliance Committee submits this information to the Board of Directors which is ultimately responsible for approving it, in order to be subsequently disclosed to the market.

The Group keeps its main business processes with ICRF scope duly documented. Each process is structured in a number of sub-processes, with their relevant flowcharts, that include the proceedings that play a direct or indirect role on financial reporting.

Such processes describe the controls which allow giving an appropriate response to risks associated with the achievement of the objectives relating to reliability and integrity of the financial information, identifying the risks which may result in accouting fraud, so as to prevent, detect, reduce and correct the risk of any potential error way in advance. Each ICFR process has its scoping matrix of risks and controls associated, and they are separated between processes carried out at local level and at corporate level for the entire Group.

Design of flowcharts, description of the different processes and sub-processes and identification of risks and controls is carried out with ARIS.

This software application allows keeping the entire documentation relating to the Group's ICFR processes within a single environment, which results in streamlined processes, as flowcharts, narratives and scoping matrices of risk and control are integrated. All members of the Group involved in ICFR have access to ARIS to view the different processes.

The ICFR system monitoring model is implemented based upon SAP GRC Process Control tool, wherein each control activity is assigned to each supervisor. The effectiveness of these controls is monitored and assessed on a quarterly basis by the ICFR Area.

Additionally, each process is assigned to a supervisor charged with supporting the quarterly monitoring of controls, and defining and keeping updated the ICFR process under their remit.

SAP GRC Process Control is implemented in all subsidiaries within the ICFR scope.

With regard to the consolidation, closing and reporting process, the Financial Division issues the instructions together with the calendar and contents of the financial information to be reported by each of the local financial structures to draw up the consolidated financial statements.

Risks are identified in the matrix of ICFR's consolidation, closing and reporting process, and controls are included relating to relevant opinions, estimates, assessments and projections.

F.3.2. Internal control policies and procedures for information systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the company regarding the drafting and publication of financial information.

The internal control framework of the Group's information systems seeks to set up controls over the main business processes, which are closely related to Information Technologies ("IT").

Based upon the relationship between business processes and associated systems, a review of basic risks is carried out, allowing the company to prioritise and focus on such IT environments which are deemed to be especially relevant.

A number of general controls on applications (IT General Controls or ITGCs) are identified within the Group's ICFR, including:

- Secure access to both applications and data.

- Control on changes in applications.

- Environment segregation.

- Appropriate operation of applications.

- Availability of data and continuity of applications.

The implementation of ITGCs on the applications identified within the ICFR scope is monitored on an annual basis from the ICFR area. As a general rule, the yardstick to identify applications within the ICFR scope is that they support at least a key operating control.

The findings of such monitoring are reported to the Financial Division through the quarterly reports assessing ICFR controls.

Mention should be made of the fact that, in the process to design and implement applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of information systems in case of lack of availability.

In 2019, the Information Security Committee has met on a quarterly basis. Such Committee is charged with ensuring the effective and consistent enforcement of best practices regarding information security management across the organization, reducing risks affecting security to the minimum, taking into account the company's business.

The Information Security Committee is composed of:

- The Chief Operating Officer

- The General Counsel and Secretary of the Board

- The Chief IT Officer

- The Chief Information Security Officer

- The Chief Financial Officer

- The Chief Audit Officer, in an advisory capacity

The Information Security Policy has been updated in 2019. This Policy sets forth the principles and guidelines whereby Inditex will protect its information, pursuant to applicable regulations and its ethical values defined in the Code of Conduct and Responsible Practices as well as the provisions of the Regulations of the Information Security Committee and of any other applicable internal regulations.

The achievement of the objectives described in the Policy revolves around the following overarching principles:

i. classification of information, in accordance with its value, relevance and criticality for the business;

ii. limited use of information systems to lawful and exclusively professional purposes;

iii. segregation of duties to avoid risks;

iv. setting retention periods by information category, where necessary or convenient;

v. setting monitoring procedures to control how information is made available to third parties;

vi. security in Information Systems;

vii. setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and

viii. alignment of Information Systems and communications of the Group with the requirements of applicable laws and regulations.

The Information Security Department shall exercise its monitoring duties in an independent manner, and it shall be responsible for implementing the Policy and monitoring compliance therewith, and with all requirements arising from applicable laws, regulations and best practices in the field of Information Security.

F.3.3. Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements.

In 2019, certain activities, such as valuation of fixed assets, actuarial calculations, human resources-related services, valuation of derivatives, calculation of discount rates and certain processes of the IT area, were outsourced to third parties, without them having any material impact on financial statements.

Controls on such calculations and valuations made by third parties exist within the ICFR processes, for the purposes of mitigating risks which may have an impact on financial information.

Such services are commissioned by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the experts hired.

F.4. Information and communication

Give information on the main features if at least the following exist:

F.4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or Department) and of settling doubts or conflicts arising from the construction thereof, which is in regular communication with those in charge of operations within the organisation as well as an updated manual on accounting policies disclosed to the units through which the entity operates.

The External Reporting area, within the Planning and Management Control Department, is responsible for drawing up, publishing, implementing and updating the Group's Manual on Accounting Policies. With regard to the Group's accounting policies, such area is responsible for, *inter alia*:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.
- Addressing doubts and queries arising from the construction of accounting standards.
- Standardizing the accounting practices of the Group.

Such manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the benchmark accounting framework of the Inditex Group.

The manual is regularly updated. As part of such updating procedure, the External Reporting area includes all accounting changes identified which were advanced to those in charge of drawing up the financial statements.

The manual and the remaining documentation are available on the INET.

F.4.2. Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units of the company or the Group, supporting the main financial statements and the notes thereto, as well as the disclosure concerning ICFR.

The process for consolidation and preparation of consolidated financial statements is centralized, being incumbent on the External Reporting area which reports to the Planning and Management Control Department.

Drawing up the consolidated financial information begins with the addition of individual financial statements of each company included in the consolidation perimeter, to be subsequently consolidated based upon the accounting regulations of the Group. The entire addition and consolidation process is supported by SAP BPC tool.

Financial information reported to CNMV is prepared based upon consolidated financial statements gathered through the above referred tool, and upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. The entire process is supported by SAP Disclosure Management tool. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

F.5. Supervision of the system's operation

Give information describing the main features of at least::

F.5.1. ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function charged, *inter alia*, with supporting the audit committee in the monitoring of the internal system, including ICFR. Likewise, give information on the scope of ICFR assessment carried out during the financial year, and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan providing any potential corrective measures and whether the impact of such measures on the financial information has been considered

ICFR area monitors on a quarterly basis implementation of controls, requesting and reviewing a sample of evidence from the supervisors of each control.

As a result of such monitoring process, improvement areas of each control are identified and they are assigned an action plan to remedy them. Follow up ensues to guarantee they are complied with.

Likewise, the ICFR area issues every quarter a report with the findings of each control, the main action lines followed in the quarter and the incidences identified. This report is submitted to the Financial Division, the heads of financial departments and the Internal Audit Department.

In 2019 and specifically regarding ICFR supervision activities, the Audit and Compliance Committee has carried the following proceedings, without limitation:

- It has reviewed the consolidated annual accounts of the Group and the periodic quarterly and half-yearly financial information that the Board of Directors has to provide to the markets and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate application of the generally accepted accounting principles upon drafting such information.

- As part of its supervision duties regarding the Internal Audit function, it has approved its annual activities report, as well as its budget and the annual internal audit plan which includes specific audits on ICFR processes, pursuant to a pluri-annual plan set.

- It has reviewed the annual audit plan of external auditors that includes the audit objectives based upon the evaluation of risks of financial information and the main areas of interest or significant transactions subject to review in the year.

- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses revealed, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Compliance Committee on the degree of enforcement of recommendations resulting from such assignments.

- It has regularly met with other corporate departments of the Inditex Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including ICFR, verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function included in the current organisational structure by means of a direct link to the Board of Directors, which ensures full independence in the performance of its activities. Internal Audit functionally reports to the Audit and Compliance Committee.

The area is centrally managed from headquarters and has representatives at such geographic areas where the presence of the Inditex Group so requires. Additionally, it is divided into specialised areas, which allows gathering deep understanding on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Compliance Committee which provides for the human and material resources, both internal and external of the Internal Audit Department.

The mission of the Internal Audit function consists, *inter alia*, of assessing risk exposure and the suitability and effectiveness of controls in respect of risks identified and namely, those related to reliability and integrity of financial and operational information.

Based upon the ICFR Scoping Matrix of Risks, Internal Audit drafts a pluri- annual plan for the regular review of ICFR of the Group which is submitted to the Audit and Compliance Committee for approval every year.

This pluri-annual plan entails conducting ICFR reviews of the significant processes and elements of the Group's financial statements. Review priorities are set based upon the risks identified. Such plan is implemented through annual planning which determines the scope of the annual ICFR reviews. The suitability of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks. Additionally, annual planning include compliance with the provisions of current internal coroporate policies, including the ICFR Policy.

Namely, the following issues are subject to review: the design and effective operation of key transactional controls and general controls on the main software tools involved in financial reporting, as well as the review of the general control environment.

To carry out its activities, Internal Audit uses different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the appropriateness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the Financial Division and the Audit and Compliance Committee. Internal Audit follows up on the implementation of such measures which is reported to the Audit and Compliance Committee.

F.5.2. Whether there is a discussion procedure whereby the statutory auditor, (in accordance with the provisions of the NTA), the internal audit function and other experts may disclose to the senior management and to the audit committee or the directors of the company any significant internal control weaknesses identified in the course of the review of the financial statements or any other assignment entrusted Likewise, give information on whether there is an action plan to try and correct or reduce weaknesses observed

Internal Audit regularly discloses to the Financial Division and the Audit and Compliance Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up on the action plans set out to settle or reduce them.

In turn, external auditors regularly meet with the Financial Division and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been revealed, where appropriate, in the course of their work.

In its meetings, the Audit and Compliance Committee considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the necessary information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: "The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy."

To meet the provisions of section 45.5 above referred, any discussions or different views existing are advanced in the meetings of the Audit and Compliance Committee with external auditors. In turn, external auditors report, where appropriate, on the main internal control issues that need to be improved identified as a result of their work. Additionally, Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

Meanwhile, the Audit and Compliance Committee meets with the statutory auditors of the individual and consolidated annual accounts for the purposes of reviewing on the one hand the Group's annual account, and on the other, certain half-yearly periodic financial information that the Board of Directors must provide to the market and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate enforcement of generally accepted accounting principles upon preparing such information.

In 2019, members of the Internal Audit function have attended all 5 meetings of the Audit and Compliance Committee, whereas external auditors were in attendance in 4.

F.6. Other relevant information

F.7. Report of the external auditor

F.7.1. Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should provide the reasons therefor.

The Group's Management submits the information on ICFR included in this section F of the Annual Corporate Governance Report for 2019 prepared by the Group's Management, to the external auditors for review.