Industria de Diseño Textil, S.A.

Annual Accounts and Directors' Report
for the year ended 31 January 2018

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

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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 FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 January 2018, and its results and its cash flows for the year then ended in accordance the regulatory financial reporting framework applicable which is identified in Note 2.a to the financial statements, and in particular, with the accounting principles and rules contained therein.

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 Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<table>
<tr><th colspan="2">Measurement of inventories</th></tr>
<tr><th>Description</th><th>Procedures applied in the audit</th></tr>
<tr><td>As indicated in Note 10, the value of the Company’s inventories at year-end was EUR 845 million, representing 10.6% of the Company’s total assets. These inventories relate mainly to finished goods and are distributed among the warehouses managed by the Company. Given the nature of the business of Inditex Group, from which the Company is Parent, thousands of stock-keeping units (SKUs) are designed and put on sale over the course of the year; these SKUs rotate based on the season and customer demand, generating, therefore, a high volume of movements of inventories.

We identified this matter as key in our audit, due to the importance of the judgements and assumptions applied by the Group to determine the cost and recoverable amount of each SKU and the complexity of the logistics activities carried on by the Company in order to manage its products, which give rise to numerous SKU movements between various different locations.</td><td>In response to this key matter, our audit included, among others, the following procedures:

- An assessment of the consistency of the accounting principles and rules applied by the Company to measure its inventories at 31 January 2018 with the applicable regulatory financial reporting framework.
- An assessment of the design, implementation and operational effectiveness of the key controls in place in the inventory management and measurement process, with the involvement of our IT experts in performing the tests on automatic controls applied to the relevant software involved in the process.
- For a representative sample, verification that the finished goods inventories were correctly measured, using a recomposition of the measurement of those inventories based on the cost of acquiring them from suppliers and considering the costs directly attributable to such goods.
- Assessment of the key estimates used by Company management to determine the net realisable value and the consistency thereof with Company policies and actual historical and other information, such as sales and returns after the reporting date.
- Assessment of Notes to the financial statements disclosure compliance with the regulatory financial reporting framework.

The results of the procedures performed in relation to the analysis of the accounting principles and rules and estimates applied by the Company, to the assessment of the key controls in place in the measurement process and to the disclosures included in the notes to the financial statements and to the performance of specific substantive tests were satisfactory.</td></tr>
</table>

Impairment of Investments in Group Companies	
Description	**Procedures applied in the audit**
As indicated in Note 8, the Company holds equity investments in group companies not listed in regulated markets, whose net book value as at 31 January 2018 amounted to EUR 2,304 million, representing 29% of the Company's total assets. When there are signs of impairment of said investments, the Company performs impairment tests in order to assess if the recoverable amount is lower than the carrying amount. The valuation of said investments requires significant judgement and estimates by management, when identifying the investments that could show impairment signs and when considering the key assumptions established for the calculation of the recoverable amount. We identified this matter as key in our audit, due to the aforementioned aspects.	In response to this key matter, our audit included, among others, the assessment of the reasonableness of the impairment indicators established by the Company, the verification of the arithmetical correction of the calculations made, the appropriateness of the valuation method applied and the assessment of the reasonableness of the underlying assumptions, such as revenue growth, the assumptions in gross margins, the evolution of the costs, the discount rate and the rate of growth in perpetuity. To do so, we have assessed the consistency of the underlying assumptions with other analysis performed by the Company, the coherence of the forecast of the future cash flows used in the analysis, the methodology and the underlying assumptions and we have carried out sensitivity tests on the same. Additionally, we have assessed the Notes to the financial statements disclosures compliance with the regulatory financial reporting framework. The results of the procedures performed in relation to the valuation methodology applied, to the analysis of the criteria and assumptions applied by the Company in its estimations and to the to the disclosures in Notes were satisfactory.

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

Other Information: Directors' Report

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

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

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

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

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

Responsibilities of the Directors and Audit and Control Committee of the Company for the Financial Statements

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

In preparing the financial statements, the Company's directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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 Audit and Control Committee

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

Engagement Period

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

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

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

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

13 March 2018

Appendix to our auditor's report

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

Auditor's Responsibilities for the Audit of the 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 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 Company's internal control.

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

- Conclude on the appropriateness of the use by the 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 Company'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 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 Company to cease to continue as a going concern.

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

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

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

From the matters communicated with the Company's Audit and Control Committee, we determine those matters that were of most significance in the audit of the 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.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

BALANCE SHEET AS AT 31 JANUARY 2018 AND 2017

(Millions of euros)

ASSETS	Notes	31-01-2018	31-01-2017	EQUITY AND LIABILITIES	Notes	31-01-2018	31-01-2017
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets-	**Note 5**	**104**	**84**	***SHAREHOLDERS' EQUITY***	**Note 11**	**3,955**	**3,694**
Patents and similar intangibles		4	4	**Share capital-**		**94**	**94**
Computer software		72	46	Registered share capital		94	94
Advances		28	34	**Share premium-**		**20**	**20**
Property, plant and equipment-	**Note 6**	**405**	**334**	**Reserves-**		**1,543**	**1,451**
Land and buildings		74	74	Legal and bylaw reserves		19	19
Plant and other items of property, plant and equipment		199	198	Other reserves		1,524	1,432
Property, plant and equipment in the course of construction and advances		132	62	**Treasury shares-**		**(77)**	**(87)**
Investment property-	**Note 7**	**566**	**581**	**Profit for the year-**		**2,375**	**2,216**
Land		102	102	***VALUATION ADJUSTMENTS-***		**(14)**	**3**
Buildings		464	479	Hedges		(14)	3
Non-current investments in Group companies, jointly controlled entities and associates-	**Notes 8 & 15**	**2,480**	**2,533**	***GRANTS, DONATIONS AND LEGACIES RECEIVED***		**1**	**1**
Equity instruments		2,304	2,373	**Total equity**		**3,942**	**3,698**
Loans to companies		176	160				
Non-current financial assets-	**Notes 8 & 15**	**197**	**201**				
Equity instruments		2	2	**NON-CURRENT LIABILITIES:**			
Other financial assets		195	199	**Long-term provisions-**	**Note 12**	**24**	**7**
Deferred tax assets-	**Note 16**	**26**	**19**	Other provisions		24	7
Total non-current assets		**3,778**	**3,752**	**Non-current payables-**	**Note 14**	**3**	**1**
				Obligations under finance leases		2	-
				Other financial liabilities		1	1
				Non-current payables to Group companies, jointly controlled entities and associate	**Note 15**	**6**	**6**
				Deferred tax liabilities-	**Note 16**	**15**	**20**
				Non-current accruals and deferred income-	**Note 13**	**741**	**864**
CURRENT ASSETS:				**Total non-current liabilities**		**789**	**898**
Inventories-	**Note 10**	**845**	**766**				
Goods held for resale		781	703				
Raw materials and other supplies		64	63	**CURRENT LIABILITIES:**			
Trade and other receivables-		**392**	**509**	**Current payables-**	**Note 14**	**97**	**63**
Trade receivables for sales and services		104	115	Obligations under finance leases		1	-
Trade receivables from Group companies and associates	**Note 15**	247	265	Derivatives	**Notes 8 & 15**	57	10
Other accounts receivable from public authorities		41	129	Other financial liabilities		39	53
Current investments in Group companies, jointly controlled entities and associates-	**Notes 8 & 15**	**1,083**	**1,097**	**Current payables to Group companies, jointly controlled entities and associates-**	**Note 15**	**1,519**	**1,541**
Loans to companies		1,057	1,081	**Trade and other payables-**		**1,501**	**1,904**
Other financial assets		26	16	Payable to suppliers		522	593
Current financial assets-	**Notes 8 & 15**	-	**46**	Payable to suppliers - Group companies and associates	**Note 15**	813	748
Derivatives		-	46	Sundry accounts payable		119	112
Current prepayments and accrued income-		**16**	**8**	Remuneration payable		21	28
Cash and cash equivalents-	**Note 9**	**1,857**	**2,049**	Current tax liabilities		1	87
Cash		1,854	2,046	Other accounts payable to public authorities		25	336
Cash equivalents		3	3	**Current accruals and deferred income-**	**Note 13**	**123**	**123**
Total current assets		**4,193**	**4,475**	**Total current liabilities**		**3,240**	**3,631**
TOTAL ASSETS		**7,971**	**8,227**	**TOTAL EQUITY AND LIABILITIES**		**7,971**	**8,227**

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the balance sheet as at 31 January 2018.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

INCOME STATEMENT
FOR THE YEARS ENDED 31 JANUARY 2018 AND 2017

(Millions of euros)

	Notes	2017	2016
CONTINUING OPERATIONS:			
Revenue-	**Note 18.1**	**10,242**	**9,294**
Sales		8,177	7,516
Services		50	47
Dividends	**Note 15**	2,015	1,731
In-house work on non-current assets-		**4**	**3**
Procurements-	**Note 18.2**	**(6,501)**	**(5,848)**
Cost of goods held for resale sold		(5,845)	(5,208)
Cost of raw materials and other consumables used		(573)	(559)
Work performed by other companies		(83)	(82)
Other operating income-		**239**	**201**
Non-core and other current operating income	**Notes 7, 13 & 15**	238	200
Income-related grants transferred to profit or loss		1	1
Personnel expenses-		**(204)**	**(171)**
Wages, salaries and similar expenses		(177)	(148)
Employee benefits	**Note 18.3**	(27)	(23)
Other operating expenses-		**(1,206)**	**(998)**
Outside services	**Note 18.4**	(1,201)	(989)
Taxes other than income tax		(3)	(3)
Other current operating expenses		(2)	(6)
Amortization and depreciation of non-current assets and investment property-	**Notes 5, 6 & 7**	**(81)**	**(78)**
Other gains and losses-		**(1)**	**-**
PROFIT FROM OPERATIONS		**2,492**	**2,402**
Finance income-		**4**	**4**
From marketable securities and other financial instruments		4	4
- Group companies and associates	**Note 15**	1	2
- Third parties		3	2
Finance costs-		**(28)**	**(4)**
On debts to Group companies and associates	**Note 15**	(2)	(1)
On debts to third parties		(26)	(3)
Exchange differences-		**15**	**6**
Impairment and gains or losses on disposals of financial instruments-		**1**	**-**
Impairment and other losses	**Note 8**	1	**-**
FINANCIAL RESULTS		**(8)**	**6**
PROFIT BEFORE TAXES		**2,484**	**2,408**
Income tax	**Note 16**	(109)	(192)
PROFIT FOR THE YEAR		**2,375**	**2,216**

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of profit or loss for the year ended 31 January 2018.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 JANUARY 2018 AND 2017

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Millions of euros)

	2017	2016
PROFIT PER STATEMENT OF PROFIT OR LOSS (I)	**2,375**	**2,216**
Income and expense recognized directly in equity-		
Arising from cash flow hedges	(19)	4
Tax effect (Note 16)	5	(1)
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY (II)	**(14)**	**3**
Transfers to profit or loss-		
Arising from cash flow hedges	(4)	(18)
Tax effect (Note 16)	1	4
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	**(3)**	**(14)**
TOTAL RECOGNIZED INCOME AND EXPENSE (I+II+III)	**2,358**	**2,205**

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of recognized income and expense for the year ended 31 January 2018.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 JANUARY 2018 AND 2017

B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Millions of euros)

	Registered share capital	Share premium	Reserves	Treasury shares	Profit for the year	Valuation adjustments	Grants, donations and legacies received	Total
ADJUSTED BALANCE AT BEGINNING OF 2016	**94**	**20**	**1,414**	**(73)**	**1,920**	**14**	**1**	**3,390**
Total recognized income and expense	-	-	-	-	2,216	(11)	-	**2,205**
Transactions with shareholders or owners-								
Transfers	-	-	52	-	(52)	-	-	-
Dividends paid	-	-	-	-	(1,868)	-	-	**(1,868)**
Treasury shares	-	-	(15)	(14)	-	-	-	**(29)**
2016 ENDING BALANCE	**94**	**20**	**1,451**	**(87)**	**2,216**	**3**	**1**	**3,698**
Total recognized income and expense	-	-	-	-	2,375	(17)	-	**2,358**
Transactions with shareholders or owners-								
Transfers	-	-	99	-	(99)	-	-	-
Dividends paid	-	-	-	-	(2,117)	-	-	**(2,117)**
Other changes	-	-	(7)	-	-	-	-	**(7)**
Treasury shares	-	-	-	10	-	-	-	**10**
2017 ENDING BALANCE	**94**	**20**	**1,543**	**(77)**	**2,375**	**(14)**	**1**	**3,942**

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of changes in total equity for the year ended 31 January 2018.

INDUSTRIA DE DISEÑO TEXTIL, S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 JANUARY 2018 AND 2017

(Millions of euros)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES (I):			
Profit before taxes		**2,484**	**2,408**
Adjustments to profit-			
Amortization and depreciation	Notes 5, 6 & 7	81	78
Impairment losses	Note 8	(1)	-
Changes in provisions		17	6
Gains/Losses on derecognition and disposal of financial instruments		(1)	(2)
Finance income		(3)	(4)
Finance costs		28	4
Exchange differences		(18)	(4)
Other income and expenses		(106)	(121)
Dividends from investments in equity instruments of Group companies	Note 15	(2,015)	(1,729)
Changes in working capital-			
Inventories		(79)	(103)
Trade and other receivables		(295)	(558)
Other current assets		(8)	(3)
Trade and other payables		(122)	339
Other current liabilities		(16)	-
Other non-current assets and liabilities	Note 14	(1)	(1)
Other cash flows from operating activities-			
Interest paid		(1)	(1)
Dividends received		1,995	1,701
Interest received		8	4
Income tax paid		(258)	(147)
Other payments		(3)	-
Total cash flows from operating activities		**1,686**	**1,867**
CASH FLOWS FROM INVESTING ACTIVITIES (II):			
Payments relating to investment-			
Group companies and associates		(43)	(25)
Intangible assets	Note 5	(35)	(33)
Property, plant and equipment	Note 6	(66)	(67)
Investment property	Note 7	(10)	(18)
Other financial assets		-	(11)
Collections relating to disvestments-			
Group companies and associates		341	176
Property, plant and equipment		-	24
Other financial assets	Note 8	146	3
Total cash flows from investing activities		**333**	**49**
CASH FLOWS FROM FINANCING ACTIVITIES (III):			
Collections and payments relating to equity instruments-			
Purchase of equity instruments		(12)	(35)
Disposal of equity instruments		-	4
Collections and payments relating to financial liability instruments-			
Collections relating to borrowings from Group companies and associates		-	301
Collections relating to other borrowings		2	-
Repayment of borrowings from Group companies and associates		(84)	-
Repayment of other borrowings		-	(11)
Dividends and returns on other equity instruments paid-			
Dividends		(2,117)	(1,868)
Total cash flows from financing activities		**(2,211)**	**(1,609)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(192)**	**307**
Cash and cash equivalents at beginning of year		2,049	1,742
Cash and cash equivalents at end of year		1,857	2,049

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of cash flows for the year ended 31 January 2018.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

Industria de Diseño Textil, S.A.

Notes to the Annual Accounts
for the year ended 31 January 2018

1. Activity and description of the Company

Industria de Diseño Textil, S.A. ("Inditex") was incorporated as a public limited liability company on 12 June 1985. Its current registered office is located at Avenida Diputación, s/n "Edificio Inditex", in Arteixo, A Coruña.

Industria de Diseño Textil, S.A. is the Parent of a group of companies, whose main activity is the distribution of fashion items, particularly clothing, footwear, accessories and household textile products. The Group carries out its activity through various retail concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Inditex is listed on all four Spanish stock exchanges and, together with its subsidiary companies, composes the Inditex Group.

Each concept is carried out through a store and online model, managed directly by companies over which Inditex exercises control through the ownership of the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the activity is performed through franchises. Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The information relating to Inditex's ownership interests in Group companies and jointly controlled entities is detailed in Annex I hereto.

The Company engages mainly in:

a. The purchase and procurement of fashion items, particularly clothing and accessories, and the distribution and sale thereof to the companies that market the ZARA concept.
b. The provision of corporate services to the other Group companies.
c. Management of the ownership interests in its subsidiaries, from which it receives income in the form of dividends.

Pursuant to corporate law, the Company's Directors prepared separately consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, which reflected a consolidated profit attributable to the Parent of EUR 3,368 million (2016: EUR 3,157 million) and consolidated equity attributable to the Parent of EUR 13,497 million (2016: EUR 12,713 million).

The Group's consolidated annual accounts for 2016 were authorized for issue by the Directors of Industria de Diseño Textil, S.A. at the Board of Directors held on 14 March 2017 and were filed at the A Coruña Mercantile Registry, while the consolidated annual accounts of the Inditex Group for 2017 were authorized for issue on 13 March 2018.

As indicated in Note 15, a significant portion of the Company's operations are carried on with companies in the Group to which it belongs.

The Company, together with other companies, belongs to a group which, in turn, is controlled by the same individual, who has control over other companies. The company with the most assets in this group of companies, Pontegadea Inversiones, S.L., files its annual accounts at the A Coruña Mercantile Registry. Industria de Diseño Textil, S.A. and Pontegadea Inversiones, S.L. are managed independently.

2. Basis of presentation of the annual accounts

a) Regulatory financial reporting framework applicable to the Company-

These annual accounts were formally prepared by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

a. The Spanish Commercial Code and all other Spanish Corporate Law.

b. The Consolidated Spanish Companies Act.

c. The General Accounting Plan (*approved by Royal Decree 1514/2007, of 16 November*) and its subsequent amendments.

d. The mandatory rules approved by the Spanish Accounting and Auditing Institute in order to implement the General Accounting Plan and the relevant secondary legislation.

e. All other applicable Spanish accounting legislation.

b) Fair presentation-

The annual accounts for the year ended 31 January 2018 (“2017”), which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2017.

These annual accounts, which were formally prepared by the Company's Directors, will be submitted for approval by the Annual General Shareholders´ Meeting, and it is considered that they will be approved without any changes. The annual accounts for the year ended 31 January 2017 were approved by the Annual General Shareholders´ Meeting held on 18 July 2017.

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

c) Accounting principles-

The Company's Directors formally prepared these annual accounts taking into account all the obligatory accounting principles and standards. In particular, the annual accounts for 2017 were prepared using the “*going concern basis of accounting*”. All obligatory accounting principles were applied.

d) Key issues in relation to the measurement and estimation of uncertainty-

In preparing the accompanying annual accounts estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

a. The assessment of possible impairment losses on certain assets.

b. The determination of the fair value of certain financial instruments.

c. The useful life of the property, plant and equipment, intangible assets and investment property.

d. The determination of inventory costs.

e. The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.

f. The recovery of deferred tax assets.

Although these estimates were made on the basis of the best information available at 31 January 2018, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognizing the effects of the change in estimates in the income statements for the years affected.

e) Comparative information-

The information relating to 2016 included in these notes to the annual accounts is presented solely for comparison purposes with that relating to 2017.

f) Grouping of items-

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the annual accounts.

g) Correction of errors-

In preparing these annual accounts no significant errors were detected that would have made it necessary to restate the amounts included in the annual accounts for 2016.

h) Changes in accounting policies-

In the year ended 31 January 2018 there were no significant changes in accounting policies with respect to those applied in the year ended 31 January 2017.

i) Materiality-

In preparing these annual accounts the Company omitted any information or disclosure which, not requiring disclosure due to their qualitative importance, was considered not to be material.

3. Distribution of profit

The proposed distribution of the Company's profit for 2017 that its Directors will submit for approval by the Annual General Shareholders´ Meeting is as follows:

	Millions of euros
Distributable profit:	
Profit for the year	2,375
Distribution:	
Dividends	2,335
Voluntary reserves	40
	2,375

The Board of Directors will propose to the Annual General Shareholders´ Meeting the distribution of a dividend of EUR 0.75 per share, composed of an ordinary dividend of EUR 0.54 gross per share and an extraordinary dividend of EUR 0.21 gross per share on the total outstanding shares.

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

At 31 January 2018 and 2017, the restricted reserves amounted to EUR 19 million.

4. Accounting policies

The principal accounting policies used by the Company in preparing these annual accounts for 2017 were as follows:

a) Intangible assets-

Intangible assets are recognized initially at acquisition or production cost and this initial measurement is subsequently adjusted for any accumulated amortization and any accumulated impairment losses on the assets. Whenever there are indications of impairment, the Company tests the intangible assets for impairment (see Note 4-d) to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

In-house work performed by the Company to develop certain items of computer software that is capitalized to intangible assets is measured at accumulated cost (external costs plus in-house costs and, as the case may be, in-house personnel costs incurred in the development of this software).

Intangible assets with finite useful lives are amortized systematically over the years of useful life of the assets, as follows:

Description	Years of estimated useful life
Patents & similar intangibles	10
Computer software	5

b) Property, plant and equipment-

Property, plant and equipment are initially recognized at acquisition or production cost revalued pursuant to various laws (including Law 16/2012, of 27 December) (see Notes 6, 7 and 11) and this initial measurement is subsequently adjusted for any accumulated amortization and any accumulated impairment losses on the assets. Whenever there are indications of impairment, the Company tests the property, plant and equipment for impairment (see Note 4-d) to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Similarly, if there is an indication of a recovery in the value of an impaired item of property, plant and equipment, the Company recognizes the reversal of the impairment loss recognized in prior periods, with a credit to the income statement, and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

Periodic maintenance, upkeep and repair expenses are recognized in profit or loss as they are incurred. However, the costs of expansion, modernization or improvements leading to a lengthening of the useful lives of the assets are capitalized.

The balances of assets retired as a result of modernization or for any other reason are derecognized from the related cost, accumulated amortization and, if appropriate, impairment loss accounts.

The Company transfers items of property, plant and equipment in the course of construction to property, plant and equipment in use when they are ready for their intended use, at which time they start to be depreciated.

The property, plant and equipment in use is depreciated using the straight-line method, on the basis of the acquisition or production cost (revalued, if appropriate) of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, accordingly, is not depreciated.

The annual depreciation charge on property, plant and equipment is recognized under “Amortization and Depreciation of Non-Current Assets and Investment Property” in the income statement, based on the years of estimated useful life of the assets, except in the case of leased assets, in which case it is based on the shorter of the useful life of the asset and the lease term. The annual depreciation rates used correspond to the following years of estimated useful life:

Description	Years of estimated useful life
Buildings	25 to 50
Plant and machinery	7 to 20
Other fixtures, tools and furniture	10 to 15
Other items of property, plant and equipment	5 to 10

c) Investment property-

The assets included under “Investment Property” in the balance sheet correspond to assets leased, mainly, to Group companies. This investment property is measured as described in Note 4-b on property, plant and equipment.

d) Impairment of non-current assets-

The Company periodically assesses whether there are any indications that its non-current assets might have become impaired, for the purpose of determining whether their recoverable amount is lower than their carrying amount (impairment loss).

In this connection, whenever there are indications of impairment on intangible assets, property, plant and equipment and investment property, the Company tests these assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Also, the Company has developed a general, systematic procedure for carrying out these impairment tests, based on the monitoring of certain events or circumstances which indicate that the value of an asset may not be recovered in full. Non-current investments in Group companies and associates and non-current financial assets are reviewed at least once a year.

Calculation of the recoverable amount-

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is established 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 cash-generating unit (CGU) to which the asset belongs.

In the case of investments in Group companies, the Company has defined each of the investees as basic cash-generating units. The cash flows were based on the budgets and business plans of the various companies, which generally cover a three-year period. The key assumptions on which the budgets and business plans are based are estimated sales growth 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 Company 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 plan using a steady growth rate and an expense structure that is similar to that of the last year of the business plan. Where the growth rates exceed the industry or country rates, the latter reflect the Company's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for ten-year bonds issued by the governments in the relevant markets (or similar bonds, if there are no ten-year bonds), adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Company. The average discount rate applied to calculate the present value of the estimated cash flows was 6.02% for 2017 (2016: 7.05%).

Also, the Company 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, did not disclose the potential existence of any additional impairment of the assets.

Reversals of impairment losses

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

e) Leases-

Leases are classified as *"finance leases",* whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as *"operating leases"*.

Finance leases-

At the commencement of the lease term, the Company recognizes an asset and a liability for the lower of the fair value of the leased asset and the present value of the minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The initial direct costs are added to the amount recognized as an asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Contingent rents are recognized as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Company under finance leases are the same as those described in Note 4-b (property, plant and equipment). However, if there is no reasonable certainty that the Company will obtain ownership of the assets at the end of the lease term, they are amortized over the shorter of their useful life and the lease term.

Operating leases-

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

Both when the Company acts as the lessor and when it acts as the lessee, lease income and expenses are recognized in income on an accrual basis.

f) Financial instruments-

A *"financial instrument"* is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An *"equity instrument"* is a contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A *"financial derivative"* is a financial instrument whose value changes in response to the change in an observable market variable *(such as an interest rate, financial instrument price or market index)*, whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

Financial assets-

The financial assets held by the Company are classified in the following categories:

1. *"Loans, receivables and other financial assets".* These comprise financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

   These financial assets are measured at their nominal value since they do not have an established interest rate and are expected to be collected in the short term.

   The Company recognizes the appropriate impairment losses on receivables if there is a reduction or delay in the estimated future cash flows as a result of debtor insolvency. The amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows.

2. *"Equity investments in Group companies and jointly controlled entities". "Group companies"* are defined as companies over which the Company has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Company owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when, as in the case of agreements with shareholders of the investee, the Company is granted control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

Investments in Group companies and jointly controlled entities are measured at acquisition cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence, the recoverable amount of the investment is taken to be the value of the equity of the investee, adjusted by the amount of the unrealized gains existing at the date of measurement *(including any goodwill)*. Impairment losses recognized and reversed are charged and credited, respectively, to the income statement.

The Company derecognizes a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred.

Financial liabilities-

Financial liabilities include accounts payable that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classified as derivative financial instruments.

Accounts payable are initially recognized at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortized cost using the *"effective interest method"*, as described above. However, the financial liabilities with no set interest rate, and those which mature or are expected to be received at short term, where the effect of discounting is not material, are measured at nominal value.

The Company derecognizes financial liabilities when the obligations giving rise to them cease to exist.

Equity instruments-

Equity instruments issued by the Company are recognized in "Equity" in the balance sheet at the proceeds received, net of issue costs.

Treasury shares acquired by the Company are presented separately at cost as a reduction of shareholders' equity in the balance sheet. No gain or loss is recognized in the income statement on treasury share transactions.

The related transaction costs are recognized as a reduction of reserves, after consideration of any tax effect.

Derivative financial instruments-

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

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

Amounts recognized in equity are taken to income when the forecast transaction takes place with a charge or credit to the income statement in which it was recognized. Also, gains or losses recognized in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognized, depending on whether it is positive or negative, under “Current Financial Assets” or “Current Payables” in the accompanying 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 Company verifies, both at inception and periodically over the term of the hedge, using “effectiveness tests”, that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item. In addition, the ineffective portion of the hedging instrument is recognized immediately in the income statement.

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

- Level 1: fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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 Company does not have any assets or liabilities that can be assigned to this hierarchical level.

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

Level 2 instruments

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

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

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

Foreign currency forwards

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 parties' 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 a netting agreement for the derivative positions in the event of default.

Zero-premium option combinations

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

Options purchased

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

g) Inventories-

Inventories are measured at the lower of acquisition 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.

Cost is calculated on a FIFO basis.

The cost of inventories is adjusted through “Cost of Goods Held for Resale Sold” in the income statement when cost exceeds net realizable value. Net realizable value is understood to be the estimated selling price.

h) Grants, donations and legacies received-

Grants, donations and legacies received are recognized as income in equity when they are officially granted, as the case may be, and when the conditions attaching to them have been complied with and there is reasonable assurance that they will be received.

Grants related to assets are recognized in profit or loss in proportion to the depreciation taken on the assets financed with them or, where applicable, when the assets are disposed of, derecognized or an impairment loss is recognized.

i) Provisions and contingent liabilities-

Provisions are recognized when the Company has a present obligation (legal, contractual, constructive or tacit) as a 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 embodying economic benefits will be required to settle the obligation, provisions are reversed.

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

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control. Unlike provisions, contingent liabilities are not recognized in the 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.

j) Employee benefits-

The provisions for long-term incentives are recognized at year-end at the present value of the estimated future payments to be made in order to meet the obligations acquired (see Note 20). The expense accrued during the year is determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met, with a charge to personnel costs and finance costs. Any change in the estimates made are recognized with a charge or credit to the income statement for the year, based on their nature.

k) Income tax-

The Company files consolidated income tax returns as part of a tax group of which it is the parent.

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense. These tax benefits are measured at face value unless the period for recovery is more than one year, in which case they are measured at present value, provided that this differs significantly from face value.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognized to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised, provided that they will be utilised within a maximum period of ten years, unless there is clear evidence that they will be recovered within a period of more than ten years or there are deferred tax liabilities with an identical period of reversal.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognized in equity.

The deferred tax assets recognized are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that they will be recovered through future taxable profits.

As required by the Spanish Accounting and Auditing Institute, the Group's policies establish that for each of the companies that belongs to the consolidated tax group, the income tax expense or benefit for the year is calculated on the basis of accounting profit before tax, increased or decreased, as appropriate, by the permanent differences from the taxable profit, net of the tax relief and tax credits corresponding to each company in the tax group under the consolidated tax regime.

l) Revenue and expense recognition-

Revenue and expenses are recognized when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognized when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognized using the effective interest method and dividend income, which is recognized under “Revenue” since it forms part of the ordinary business of the Company, is recognized when the shareholders' right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognized as income.

m) Current/non-current classification-

The Company classifies assets and liabilities as current and non-current items in the 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 liabilities.

n) Foreign currency transactions-

The Company's functional currency is the euro. Assets whose acquisition cost is denominated in a foreign currency are translated to euros at the exchange rate prevailing at the date of each acquisition or at the date on which the related items are included in assets.

Accounts receivable and payable denominated in foreign currency are translated to euros at the exchange rates prevailing at the transaction date and are subsequently translated at the end of the reporting period using the closing exchange rates. Any resulting gains or losses are recognized directly in profit or loss in the year in which they arise.

o) Related party transactions-

The Company performs its transactions with Group companies and related parties on an arm’s length basis. Also, the transfer prices are adequately supported and, therefore, the Company's Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

p) Statement of cash flows-

The following terms are used in the statement of cash flows:

a. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

b. Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

c. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

d. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

q) Statement of changes in equity-

The statement of changes in equity presented in these annual accounts shows the total changes in equity in the year. This information is in turn presented in two statements: the statement of recognized income and expense and the statement of changes in total equity. The main characteristics of the information contained in the two parts of the statement are explained below:

Statement of recognized income and expense-

This part of the statement of changes in equity presents the income and expenses generated by the Company as a result of its business activity in the year, and a distinction is made between the income and expenses recognized in the income statement for the year and the other income and expenses recognized, in accordance with current regulations, directly in equity.

Accordingly, this statement presents:

a. Profit for the year.

b. The net amount of income and expenses recognized directly in equity *(the income, net of the expenses arising during the year, recognized directly in equity, which remains under this line item even if in the same year it is transferred to profit or loss, to the initial carrying amount of other assets or liabilities, or is reclassified to another line item)*.

c. The amount transferred to profit or loss from equity *(the amount of the revaluation gains and losses and the asset-related grants previously recognized in equity, albeit in the same year, which are recognized in the income statement)*.

d. The total recognized income and expense, calculated as the sum of a) to c) above.

The amounts of these items are presented gross and the related tax effect is recognized under “Tax Effect” in this statement.

Statement of changes in total equity-

This part of the statement of changes in equity presents all the changes in equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes are grouped together on the basis of their nature into the following items:

a. Adjustments due to changes in accounting policies and to errors: include the changes in equity arising as a result of the retrospective restatement of the balances in the annual accounts due to changes in accounting policies or to the correction of errors.

b. Income and expense recognized in the year: includes, in aggregate form, the total of the aforementioned items recognized in the statement of recognized income and expense.

c. Other changes in equity: includes the remaining items recognized in equity, including, inter alia, increases and decreases in the Company's share capital, distribution of profit, transactions involving own equity instruments, share-based payments, transfers between equity items and any other increases or decreases in equity.

5. Intangible assets

The changes in 2017 and 2016 in the intangible asset accounts and in the related accumulated amortization were as follows:

2017-

	Millions of euros			
	Beginning balance	Additions (charge for the year)	Transfers	Closing balance
Cost:				
Patents and similar intangibles	13	1	-	14
Computer Software	93	12	32	137
Advances and intangible assets in progress	34	26	(32)	28
	140	**39**	-	**179**
Amortization:				
Patents and similar intangibles	(9)	(1)	-	(10)
Computer Software	(47)	(18)	-	(65)
	(56)	**(19)**	-	**(75)**
Net	**84**			**104**

2016-

	Millions of euros			
	Beginning balance	Additions (charge for the year)	Transfers	Closing balance
Cost:				
Patents and similar intangibles	12	1	-	13
Computer Software	58	3	32	93
Advances and intangible assets in progress	34	32	(32)	34
	104	**36**	-	**140**
Amortization:				
Patents and similar intangibles	(8)	(1)	-	(9)
Computer Software	(29)	(18)	-	(47)
	(37)	**(19)**	**-**	**(56)**
Net	**67**			**84**

Additions-

The main additions in 2017 relate to the amount paid for the investment in new IT developments, which was recognized under “Computer Software” and “Advances and Intangible Assets in Progress”, and to the cost of registering brand names in the countries in which the Inditex Group has commenced its activities, which was recognized under “Patents and similar intangibles”.

Fully amortized intangible assets-

The Company's intangible assets include certain items which had been fully amortized at 31 January 2018 and 2017, the total cost and accumulated amortization of which were as follows:

	Millions of euros	
Nature of the assets	31/01/18	31/01/17
Patents and similar intangibles	5	4
Computer Software	16	16
	21	**20**

6. Property, plant and equipment

The changes in 2017 and 2016 in the property, plant and equipment accounts and in the related accumulated depreciation were as follows:

2017-

	Millions of euros				
	Beginning balance	Additions (charge for the year)	Disposals (Note 15)	Transfers (Note 7)	Closing balance
Cost:					
Land	11	-	-	-	11
Buildings	81	3	(9)	8	84
Plant and machinery	91	7	(8)	4	94
Other fixtures, tools and furniture	40	1	-	-	41
Other items of property, plant and equipment	175	15	-	10	200
Property, plant and equipment in the course of construction and advances	62	98	-	(28)	132
	460	**124**	**(17)**	**(6)**	**562**
Amortization:					
Buildings	(18)	(3)	-	-	(21)
Plant and machinery	(44)	(5)	-	-	(49)
Other fixtures, tools and furniture	(22)	(3)	-	-	(25)
Other items of property, plant and equipment	(42)	(20)	-	-	(62)
	(126)	**(31)**	**-**	**-**	**(157)**
Net	**334**				**405**

2016-

	Millions of euros				
	Beginning balance	Additions (charge for the year)	Disposals (Note 15)	Transfers (Note 7)	Closing balance
Cost:					
Land	11	-	-	-	11
Buildings	81	-	-	-	81
Plant and machinery	89	2	-	-	91
Other fixtures, tools and furniture	39	-	-	1	40
Other items of property, plant and equipment	137	20	(36)	54	175
Property, plant and equipment in the course of construction and advances	71	41	-	(50)	62
	428	**64**	**(36)**	**5**	**460**
Amortization:					
Buildings	(16)	(2)	-	-	(18)
Plant and machinery	(38)	(6)	-	-	(44)
Other fixtures, tools and furniture	(19)	(3)	-	-	(22)
Other items of property, plant and equipment	(36)	(17)	11	-	(42)
	(109)	**(28)**	**11**	**-**	**(126)**
Net	**319**				**334**

Additions-

The additions in 2017 relate mainly to expansion projects carried out at the Company's head office in Arteixo (A Coruña).

Investment commitments-

At 31 January 2018, the Company had property, plant and equipment investment commitments amounting to EUR 68 million (31 January 2017: EUR 66 million).

Asset revaluation-

On 1 February 2013, the items of investment property were revalued pursuant to Law 16/2012, of 27 December; this had an effect on equity, net of tax, of EUR 9 million. The impact of this revaluation on the depreciation charge for 2017 was EUR 0.3 million (2016: EUR 0.3 million).

Fully amortized property, plant and equipment-

At 31 January 2018 and 2017, the property, plant and equipment and the investment property described in Note 7 included certain fully depreciated assets still in operation, the total cost and accumulated depreciation of which were as follows:

Nature of the assets	Millions of euros	
	31/01/18	31/01/17
Buildings	92	64
Plant and machinery	24	21
Other fixtures, tools and furniture	10	7
Other items of property, plant and equipment	25	8
	151	**100**

Property, plant and equipment acquired from the Group-

The detail of the property, plant and equipment and investment property acquired from Group companies at 31 January 2018 and 2017 is as follows:

At 31 January 2018-

	Millions of euros		
	Cost	Accumulated depreciation	Total
Land and buildings	719	(241)	478
Plant and machinery	81	(35)	46
Other items of property, plant and equipment	5	(4)	1
Property, plant and equipment in the course of construction	32	-	32
	837	**(281)**	**556**

At 31 January 2017-

	Millions of euros		
	Cost	Accumulated depreciation	Total
Land and buildings	737	(221)	516
Plant and machinery	72	(31)	41
Other items of property, plant and equipment	5	(4)	1
Property, plant and equipment in the course of construction	28	-	28
	842	**(256)**	**586**

Insurance-

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. The Company's Directors consider that the policies arranged at 31 January 2018 are sufficient to cover the risks inherent to its business activities.

7. Investment property

The changes in 2017 and 2016 in “Investment Property” were as follows:

2017-

	Millions of euros			
	Beginning balance	Additions (charge for the year)	Transfers (Note 6)	Closing balance
Cost:				
Land	102	-	-	102
Buildings	728	10	6	744
	830	**10**	**6**	**846**
Amortization:				
Buildings	(249)	(31)	-	(280)
	(249)	**(31)**	**-**	**(280)**
Net	**581**			**566**

2016-

	Millions of euros			
	Beginning balance	Additions (charge for the year)	Transfers (Note 6)	Closing balance
Cost:				
Land	101	1	-	102
Buildings	688	17	23	728
Investments in progress	28	-	(28)	-
	817	**18**	**(5)**	**830**
Amortization:				
Buildings	(218)	(31)	-	(249)
	(218)	**(31)**	**-**	**(249)**
Net	**599**			**581**

Investment property relates mainly to land and buildings leased by the Company to Group companies whose object is the provision of logistics services.

The lease income from the Company's investment property in 2017 amounted to EUR 38 million (2016: EUR 37 million) and is recognized under "Other Operating Income - Non-Core and Other Current Operating Income" in the accompanying income statements (see Note 15).

The operating expenses related to the investment properties owned by the Company amounted to EUR 1 million in 2017 and 2016.

Additions-

The additions in 2017 related mainly to expansion and improvement projects carried out at the Narón (A Coruña) and Zaragoza logistics centres.

Asset revaluation-

On 1 February 2013, the items of investment property were revalued pursuant to Law 16/2012, of 27 December; this had an effect on equity, net of tax, of EUR 35 million. The effect of this revaluation on the depreciation charge for 2017 and 2016 was EUR 1 million in both exercises.

Insurance-

The Company takes out insurance policies to cover the possible risks to which its investment property is exposed. The Company's Directors consider that the insurance coverage arranged is adequate.

8. Investments in Group companies and financial assets (current and non-current)

The detail of investments in Group companies and financial assets (current and non-current) at 31 January 2018 and 2017 is as follows:

	Millions of euros	
	31/01/18	31/01/17
Non-current investments in Group companies, jointly controlled entities and associates:		
Equity investments	2,390	2,460
Impairment losses	(86)	(87)
Loans to companies (Note 15)	176	160
	2,480	**2,533**
Non-current financial assets:		
Equity instruments		
Cost	14	28
Impairment losses	(12)	(26)
Other financial assets	195	199
	197	**201**
Current investments in Group companies, jointly controlled entities and associates (Note 15):		
Loans to companies	1,057	1,081
Other financial assets	26	16
	1,083	**1,097**
Current financial assets:		
Derivatives	-	46
	-	**46**

Non-current investments in Group companies, jointly controlled entities and associates – Equity instruments-

The most significant information in relation to these companies at the end of 2017 and 2016 is detailed in Annex I.

The main changes in investments in equity instruments are the result of the decisions taken by Group management regarding the management of operations. Thus, acquisitions and capital increases totalling EUR 26 million were performed in 2017 (2016: EUR 6 million). Also, in 2017 capital reductions and refunds of contributions were carried out by subsidiaries amounting to EUR 96 million (2016: EUR 88 million).

In 2017 impairment losses totalling EUR 0.7 million were reversed, based on the criteria detailed in Note 4-f, which were recognized under “Impairment and gains or losses on disposals of financial instruments” in the accompanying income statement. There were no changes in impairment losses in 2016.

None of the investees of Industria de Diseño Textil, S.A. are listed on the stock exchange.

Current investments in Group companies, jointly controlled entities and associates -
Loans to companies and other financial assets-

The loans to Group companies recognized under non-current assets in the balance sheet relate mainly to the financing granted as a result of the sale of facilities to the Group’s logistics companies.

In order to optimize the financial resources generated, the Company has implemented a centralized cash system among certain Group companies by setting up current accounts, the balances of which can be receivable or payable, depending on the particular circumstances of each company and which, in practice, are settled depending on each company's needs. These balances bear interest at a market rate which is settled on an annual basis. In this connection, the balances receivable included under “Current Investments in Group Companies, Jointly Controlled Entities and Associates” correspond to these current accounts. When the related balances are payable, they are recognized under “Current Payables to Group Companies, Jointly Controlled Entities and Associates” (see Note 15).

The balances arising on tax consolidation are also recognized under this heading (see Note 15).

In addition, at 31 January 2018 the balance of “Current Investments in Group Companies, Jointly Controlled Entities and Associates - Other Financial Assets” included the amount receivable of dividends distributed by certain subsidiaries.

Non-current financial assets-

At 31 January 2018, the balance of “Non-Current Financial Assets - Other Financial Assets” included mainly advances made as a result of future payment obligations.

Derivative financial instruments-

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers in US dollars. The Company, in accordance with prevailing foreign currency risk management policies established by the Inditex Group, uses derivative financial instruments (basically forwards) to hedge fluctuations in the cash flows related to these transactions and associated with the exchange rate.

The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In this connection, in 2017 and 2016 there were no highly probable forecast transactions to which hedge accounting was applied that did not ultimately occur.

At 31 January 2018 and 2017, the Company had open derivative positions (basically forward US dollar purchases), which are shown under “Current Financial Assets” or “Current Payables” in the accompanying balance sheet, depending on their balance. The detail of the fair value of these hedging instruments is as follows:

2017-

		Millions of euros				
Current financial assets	Level	Fair value at beginning of year	Amount taken to profit or loss	Amount transferred to profit or loss from equity	Gain or loss recognized directly in equity	Fair value at end of year
Foreign currency forwards	2	41	(40)	1	-	-
Options	2	5	-	(5)	-	-
		46	**(40)**	**(4)**	**-**	**-**

		Millions of euros				
Current payables	Level	Fair value at beginning of year	Amount taken to profit or loss	Amount transferred to profit or loss from equity	Gain or loss recognized directly in equity	Fair value at end of year
Foreign currency forwards	2	10	28	-	19	57
		10	**28**	**-**	**19**	**57**

2016-

		Millions of euros				
Current financial assets	Level	Fair value at beginning of year	Amount taken to profit or loss	Amount transferred to profit or loss from equity	Gain or loss recognized directly in equity	Fair value at end of year
Foreign currency forwards	2	18	36	(18)	5	41
Options	2	-	-	-	5	5
		18	**36**	**(18)**	**10**	**46**

		Millions of euros				
Current payables	Level	Fair value at beginning of year	Amount taken to profit or loss	Amount transferred to profit or loss from equity	Gain or loss recognized directly in equity	Fair value at end of year
Foreign currency forwards	2	4	-	-	6	10
		4	**-**	**-**	**6**	**10**

The changes in the fair value of the hedging instruments detailed depend mainly on the changes in the US dollar contract rate and the changes in the short-term yield curves.

Approximately 60% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to year-end, while the remaining 40% are expected to fall due in between six months and one year. Also, the impact on the income statements will foreseeably occur in those periods.

9. Cash and cash equivalents

The cash balances include cash in hand and demand deposits at banks.

All the balances under these line items are unrestricted as to their use and there are no guarantees or pledges attaching to them.

10. Inventories

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

	Millions of euros	
	31/01/18	31/01/17
Raw materials and other consumables	64	63
Finished goods for sale	781	703
	845	**766**

The Company takes out insurance policies to cover the possible risks to which its inventories are exposed. The Company's Directors consider that the insurance coverage arranged is adequate.

11. Equity

Shareholders' equity-

Share capital-

At 31 January 2018 and 2017, the Company's share capital was represented by 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each, which are represented by book entries.

INDITEX shares are listed on the four Spanish stock exchanges. The Company issues bearer shares represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, in 2017 Inditex contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service.

As per the Company's Shareholder Register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the Company's significant shareholders at 31 January 2018 and 2017 were as follows:

	31/01/18		31/01/17	
Owner/Shareholder	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Pontegadea Inversiones, S.L.	1,558,637,990	50.010%	1,558,637,990	50.010%
Partler 2006, S.L.	289,362,325	9.284%	289,362,325	9.284%
Rosp Corunna Participaciones Empresariales, S.L.	157,474,030	5.053%	157,474,030	5.053%
	2,005,474,345	**64.347%**	**2,005,474,345**	**64.347%**

At 31 January 2018 and 2017, the members of the Board of Directors or their related companies controlled approximately 59.362% and 59.359%, respectively, of the Company's share capital, as detailed in Annex II.

Legal reserve-

Under the Spanish Companies Act, the Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. At 31 January 2018 and 2017, the legal reserve had reached the legally required minimum.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Revaluation reserve-

Pursuant to Law 16/2012, of 27 December, in 2013 the Company revalued its property, plant and equipment and investment property assets. The amount of the revaluation, net of the 5% tax charge, was EUR 44 million (see Notes 6 and 7).

Dividends-

The dividends paid by the Company in 2017 and 2016 amounted to EUR 2,117 million and EUR 1,868 million, respectively. These amounts correspond to payments of EUR 0.68 per share in 2017 and EUR 0.60 per share in 2016. The distribution of profit for 2017 proposed by the Board of Directors is shown in Note 3.

Treasury shares-

The Annual General Shareholders´ Meeting held on 16 July 2013 resolved to approve the 2013-2017 Long-Term Share-Based Incentive Plan, which was already accrued and settled at 2017 year-end (see Note 20 to the annual accounts for 2016), and authorised the Board of Directors to derivatively acquire treasury shares to cater for that plan. Similarly, the Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 20) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan.

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

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

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

12. Long-term provisions

The detail of "Long-Term Provisions" at 31 January 2018 and 2017 and of the changes therein in 2017 is as follows:

	Millions of euros		
	Balances at 31/01/17	Charge for the year and transfers to short term	Balances at 31/01/18
Long-term provisions:			
Other provisions-			
Provisions for third-party liability	2	1	3
Provision for pensions and similar obligations to personnel	5	16	21
	7	**17**	**24**

Provisions for third-party liability-

The balances of "Provisions for Third-Party Liability" relate to provisions recognized to cover any risks that might arise for the Company in the conduct of its ordinary activities. An analysis is performed each year of the portion that will foreseeably have to be settled the following year, and the related amount is reclassified to current liabilities.

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

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

The Company's Directors consider that the provisions recognized in the 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.

Provision for pensions and similar obligations to personnel-

The Company has undertaken to settle specific obligations to personnel. The Company has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31

January 2018. The estimated average payment period for the amounts provisioned is between three and five years.

13. Non-current and current accruals and deferred income

"Non-Current Accruals and Deferred Income" and "Current Accruals and Deferred Income" at 31 January 2018 include mainly the amount not yet recognized in profit or loss of the income arising from transfers of assets between Group companies, which were paid in full in 2013. The amount transferred to profit or loss in 2017 in this connection was EUR 123 million, which was recognized under "Other Operating Income - Non-Core and Other Current Operating Income" (see Note 15).

14. Non-current and current liabilities

The breakdown of the balances of "Non-Current Payables" and "Current Payables" in the accompanying balance sheets as at 31 January 2018 and 2017 is as follows:

	Millions of euros					
	31/01/18			31/01/17		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Obligations under finance leases	1	2	**3**	-	-	-
Derivatives (Note 8)	57	-	**57**	10	-	**10**
Other financial liabilities:						
Payable to non-current asset suppliers	4	-	**4**	3	-	**3**
Other payables	35	1	**36**	50	1	**5**
	97	**3**	**100**	**63**	**1**	**64**

"Other Payables" includes mainly deposits received from franchises and other counterparties to secure the payment for the supply of finished goods and other transactions, as well as the debts recognized as a result of the existence of cross call and put options between the Company 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 variations in the option prices are due basically to the fact that the prices are linked to the number of stores operated and to the shareholders' equity and the profit or loss of these subsidiaries.

Following 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 Company 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 shareholders' share of the equity of the investee when the call option is exercised.

The Company had been granted credit facilities with a limit of EUR 689 million at 31 January 2018 (31 January 2017: EUR 700 million). At 31 January 2018 and 2017, no balances had been drawn down.

15. Balances and transactions with Group and related companies

Balances-

The detail of the Company's balances with Group and related companies at 31 January 2018 and 2017 is as follows:

At 31 January 2018-

	Millions of euros								
	Non-current loans to Group companies and associates and other assets (Note 8)	Trade receivables from Group companies and associates	Current loans to Group companies and associates and related interest at short term (Note 8)	Receivables arising from filing of consolidated tax returns (Notes 8 &16)	Other current financial assets (Note 8)	Non-current payables to Group companies and associates	Current payables to Group companies and associates	Payables arising from filing of consolidated tax returns	Payables to suppliers - Group companies and associates
Group and related companies	176	247	751	306	26	6	1,517	2	813
	176	**247**	**751**	**306**	**26**	**6**	**1,517**	**2**	**813**

At 31 January 2017-

	Millions of euros								
	Non-current loans to Group companies and associates and other assets (Note 8)	Trade receivables from Group companies and associates	Current loans to Group companies and associates and related interest at short term (Note 8)	Receivables arising from filing of consolidated tax returns (Notes 8 &16)	Other current financial assets (Note 8)	Non-current payables to Group companies and associates	Current payables to Group companies and associates	Payables arising from filing of consolidated tax returns	Payables to suppliers - Group companies and associates
Group and related companies	160	265	824	257	16	6	1,540	1	748
	160	**265**	**824**	**257**	**16**	**6**	**1,540**	**1**	**748**

The trade balances with Group companies arising from commercial transactions with Group companies and other related parties performed by the Company as part of its normal business activities (described in Note 1) mature at short term and do not bear interest.

The non-current loans at 31 January 2018 and 2017 relate to loans granted to Group companies to finance their activities and the purchase of non-current assets, and they bear interest at market rates.

Also, the other current receivables from the Inditex Group companies arose from: the centralized cash management (see Note 8); the allocation of the income tax expense, since the Company files consolidated tax returns as the Parent of the tax group (see Note 16); and the dividends receivable distributed by certain subsidiaries (see Note 8).

Transactions-

The detail of the transactions with Group and related companies in 2017 and 2016 is as follows:

2017-

	Millions of euros								
	Sales	Operating lease income (Note 7)	Other income	Dividends	Finance and other income	Purchases	Other expenses	Finance costs	Disposals of property, plant and equipment (Note 6)
Group companies	7,130	38	183	1,993	1	4,178	890	2	17
Jointly controlled entities	-	-	41	22	-	-	-	-	-
	7,130	**38**	**224**	**2,015**	**1**	**4,178**	**890**	**2**	**17**

2016-

	Millions of euros								
	Sales	Operating lease income (Note 7)	Other income	Dividends	Finance and other income	Purchases	Other expenses	Finance costs	Disposals of property, plant and equipment (Note 6)
Group companies	6,538	37	153	1,704	2	3,960	781	1	-
Jointly controlled entities	-	-	29	27	-	-	-	-	-
Other related parties	-	-	-	-	-	-	-	-	25
	6,538	**37**	**182**	**1,731**	**2**	**3,960**	**781**	**1**	**25**

The main transactions relate to the sales of products to subsidiaries worldwide and the services provided thereto, such as those relating to franchise fees or rentals and the transfer of assets (see Note 13) -all of which are performed through the agreements entered into by the Company with the companies in its Group in order to carry on the activities described in Note 1, as well as the dividends received from subsidiaries. “Other Expenses” includes mainly logistics and design services provided by Group companies. The finance costs and finance income arise from the financial balances held by the Company with the Group companies described above.

16. Taxes

Income tax-

Industria de Diseño Textil, S.A. files consolidated tax returns as the parent of a subgroup formed by the following subsidiaries:

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

The reconciliation of the accounting profit for 2017 and 2016 to the taxable profit for income tax purposes is as follows:

2017-

	Millions of euros			
	Increase	Decrease	Net	Total
Income and expense for the year			2,375	2,375
Income tax			109	109
Profit before taxes	-	-	2,484	2,484
Permanent differences				
Of the individual company	19	(2,017)	(1,998)	(1,998)
Temporary differences				
Of the individual company arising in the year	39	-	39	39
Of the individual company arising in prior years	15	(12)	3	3
Consolidation adjustments	19	(15)	4	4
Taxable profit			**532**	**532**

2016-

	Millions of euros			
	Increase	Decrease	Net	Total
Income and expense for the year			2,216	2,216
Income tax			192	192
Profit before taxes	-	-	2,408	2,408
Permanent differences				
Of the individual company	16	(1,731)	(1,715)	(1,715)
Temporary differences				
Of the individual company arising in the year	19	-	19	19
Of the individual company arising in prior years	15	(13)	2	2
Taxable profit			**714**	**714**

The most significant permanent differences at the individual Company are summarised as follows:

-Non-tax-deductible expenses of EUR 19 million, substantially all of which relate to donations which are not considered to be deductible expenses for the purpose of calculating the tax base (2016: EUR 16 million).

-Application of the exemption from international double taxation on dividends, amounting to EUR 900 million (2016: EUR 948 million).

-Application of the exemption from domestic double taxation on dividends, including that relating to the dividends of the companies in the tax group, amounting to EUR 1,115 million (2016: EUR 781 million).

Income tax expense-

The calculation of the income tax expense for 2017 and 2016 is as follows:

2017-

	Millions of euros		
	Profit or loss	Equity	Total
Income and expense for the year before income tax	2,484	-	2,484
Tax charge at 25%	621	-	621
Non-deductible expenses	5	-	5
Exemption from double taxation on dividends	(504)	-	(504)
Tax relief and tax credits in the current year	(25)	-	(25)
Other adjustments	12	-	12
Income tax expense relating to profit from continuing operations	**109**	**-**	**109**

2016-

	Millions of euros		
	Profit or loss	Equity	Total
Income and expense for the year before income tax	2,394	14	2,408
Tax charge at 25%	598	3	601
Non-deductible expenses	4	-	4
Exemption from international double taxation on dividends	(432)	-	(432)
Tax relief and tax credits in the current year	(4)	-	(4)
Tax credits not recognized in prior years used	(1)	-	(1)
Other adjustments	24	-	24
Income tax expense relating to profit from continuing operations	**189**	**3**	**192**

Deferred taxes-

The detail of deferred tax assets and of the changes therein at 31 January 2018 and 2017 is as follows:

2017-

	Millions of euros			
	31/01/17	Profit or loss	Equity	31/01/18
Valuation adjustments	5	-	-	5
Unused tax credits	3	(3)	-	-
Provisions for obligations to personnel	6	6	-	12
Limitation on deductibility of depreciation and amortization - Law 16/2012	4	(1)	-	3
Unused tax credits relating to the reversal of temporary measures - Law 16/2012	1	-	-	1
Foreign currency hedges	-	-	5	5
Total	**19**	**2**	**5**	**26**

2016-

	Millions of euros			
	31/01/16	Profit or loss	Equity	31/01/17
Valuation adjustments	5	-	-	5
Unused tax credits	3	-	-	3
Provisions for obligations to personnel	4	2	-	6
Limitation on deductibility of depreciation and amortization - Law 16/2012	6	(2)	-	4
Unused tax credits relating to the reversal of temporary measures - Law 16/2012	1	-	-	1
Total	**19**	**-**	**-**	**19**

The detail of deferred tax liabilities and of the changes therein at 31 January 2018 and 2017 is as follows:

2017-

	Millions of euros			
	31/01/17	Profit or loss	Equity	31/01/18
Foreign currency hedges	(1)	-	1	-
Valuation adjustments	(15)	4	-	(11)
Inventories of companies in the tax group	(4)	-	-	(4)
Total	**(20)**	**4**	**1**	**(15)**

2016-

	Millions of euros			
	31/01/16	Profit or loss	Equity	31/01/17
Foreign currency hedges	(4)	-	3	(1)
Valuation adjustments	(19)	3	-	(15)
Non-current assets of tax group	(1)	1	-	-
Inventories of companies in the tax group	(4)	-	-	(4)
Total	**(28)**	**4**	**3**	**(20)**

The deferred tax liabilities include those corresponding to intra-Group transactions, as a result of the application of the consolidated tax regime.

Of the change in the net balance of deferred tax assets and liabilities, EUR 6 million were recognized with a credit to equity (2016: EUR 3 million credited to equity) and EUR 6 million were credited to profit or loss (2016: EUR 5 million credited to profit or loss).

Industria de Diseño Textil, S.A. generated tax assets amounting to EUR 3 million in relation to tax credits for donations (2016: EUR 4 million), and dividend double taxation tax credits amounting to EUR 22 million.

The income tax expense for 2017 includes withholdings borne abroad and not deducted relating to income received from foreign subsidiaries, amounting to EUR 10 million (2016: EUR 12 million).

As a result of the transactions described, the breakdown of the income tax expense for 2017 and 2016 is as follows:

	Millions of euros	
	2017	2016
Current tax:		
Continuing operations	115	196
Deferred tax:		
Continuing operations	(6)	(4)
Total income tax expense recognized in the statement of profit or loss	**109**	**192**

Other tax disclosures-

Pursuant to Transitional Provision Sixteen of Spanish Income Tax Law 27/2014, as amended by Royal Decree-Law 3/2016, the Company made a positive adjustment of EUR 21 million to the accounting profit in relation to the reversal of the impairment losses on certain investees. The impairment losses pending reversal at 31 January 2018 amounted to EUR 63 million.

At the date of preparation of the annual accounts, the statute-of-limitations period for income tax for 2013 and subsequent years had not expired, and neither had the other tax obligations relating to 2014 and subsequent tax periods. In any case, the Company does not expect that significant additional liabilities will arise as a result of any inspections that could be carried out in the future in relation to periods that have not yet become statute-barred.

17. Guarantee commitments to third parties

At 31 January 2018 and 2017, the Company had provided third parties with certain guarantees to various public authorities and entities, with the following limits:

	Millions of euros	
	31/01/18	31/01/17
Customs authorities	30	31
Spanish tax authorities	15	6
Other entities	10	7
	55	**44**

The Company's Directors consider that any losses or liabilities not foreseen at 31 January 2018 that might arise from the aforementioned guarantees provided would not in any event be material.

18. Income and expenses

18.1 Revenue-

The breakdown, by geographical market, of the Company's revenue for 2017 and 2016 is as follows:

	Millions of euros	
	2017	2016
Revenue from the sale of goods:		
Spain	1,449	1,377
Rest of Europe	3,253	2,986
Americas	1,091	1,006
Rest of the world	2,384	2,147
Revenue from the rendering of services:		
Spain	24	22
Rest of Europe	26	25
Dividends and other income:		
Spain	1,115	781
Rest of Europe	740	825
Americas	63	14
Rest of the world	97	111
	10,242	**9,294**

18.2 Procurements-

The detail of “Procurements” in the accompanying Income Statements for 2017 and 2016 is as follows:

	Millions of euros	
	2017	2016
Purchases of goods held for resale, raw materials and other supplies	6,490	5,869
Changes in inventories of raw materials, goods held for resale and other supplies	(82)	(113)
Changes in provisions	10	6
Work performed by other companies	83	82
	6,501	**5,848**

The detail, by origin, of the purchases made by the Company in 2017 and 2016 is as follows:

	Millions of euros			
	Spain	EU countries	Other	Total
Purchases of goods held for resale:				
2017	1,754	3,939	220	5,913
2016	1,626	3,372	315	5,313
Purchases of raw materials:				
2017	204	313	60	577
2016	197	306	53	556

18.3 Employee benefits-

The detail of “Employee Benefits” in the statements of profit or loss for 2017 and 2016 is as follows:

	Millions of euros	
	2017	2016
Employer social security costs	22	19
Other employee benefit costs	5	4
	27	**23**

The number of employees at 31 January 2018 and 2017, by professional category and gender, was as follows:

2017-

	Employees at 31/01/18		
Professional category	Men	Women	Total
Corporate central services	429	563	992
Commercial central services	407	534	941
	836	**1,097**	**1,933**

2016-

	Employees at 31/01/17		
Professional category	Men	Women	Total
Corporate central services	462	409	870
Commercial central services	251	537	789
	713	**946**	**1,659**

In 2017 the average number of employees at the Company was 907 in corporate central services and 829 in commercial central services. In 2016 the average number of employees was 819 in corporate central services and 753 in commercial central services.

At 31 January 2018 there were 22 employees with a disability greater than or equal to 33% (2016: 19 such employees). The average number of such employees in 2017 was 19 (2016: 9 employees).

In 2017 and 2016 and at 31 January 2018 and 2017 the Board of Directors was composed of seven men and two women.

18.4 Outside services-

"Other Operating Expenses - Outside Services" includes mainly logistics and design services provided by other Group companies amounting to EUR 641 million (2016: EUR 579 million), and other indirect selling costs incurred on services provided by third parties amounting to EUR 364 million (2016: EUR 247 million). This line item also includes all the audit and consultancy services received, insurance premiums, travel expenses and utilities.

18.5 Foreign currency balances and transactions-

The Company's revenue includes EUR 3,492 million (2016: EUR 3,015 million) relating mainly to sales in currencies other than the euro, including the US dollar, the pound sterling, the Japanese yen, the Mexican peso and other foreign currencies. "Procurements" includes purchases made mainly in US dollars amounting to EUR 2,278 million (2016: EUR 2,163 million). As a result of these transactions, the Company's balance sheet includes accounts receivable in currencies other than the euro, mainly in US dollars, amounting to EUR 85 million at 31 January 2018 (31 January 2017: EUR 89 million), and accounts payable amounting to EUR 465 million at 31 January 2018, mainly in US dollars (31 January 2017: EUR 463 million).

19. Information on the nature and level of risk

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

This note provides information on the Company's exposure to each of the aforementioned risks, the Company'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 Company operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar and, to a lesser extent, the Russian rouble and the Chinese yuan. 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 in US dollars. In accordance with prevailing foreign currency risk management policies, the Company's management arranges derivatives, mainly foreign currency forwards (see Note 8), to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. Occasionally the Company also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro).

The Company supplies its 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 intercompany transactions (denominated in currencies other than the euro), the Company uses financial derivatives such as zero-premium option combinations and, occasionally, foreign currency forwards and plain vanilla options.

As described in Note 4-f, the Company applies hedge accounting to mitigate the volatility that would arise in the income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Company complies with the requirements detailed in Note 4-f on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Company 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 Company verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2017, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

Approximately 60% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to year-end, while the remaining 40% are expected to fall due between six months and one year. Also, the impact on the 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 4-f.

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

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

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

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 154 million at 31 January 2018 (31 January 2017: EUR 179 million).

Credit risk-

The Company´s main financial assets are trade and other receivables and loans to Group companies, which represent the Company's principal exposure to credit risk.

At 31 January 2018, the accounts receivable from franchises were secured by deposits and by guarantees provided by banks of recognized solvency of which Industria de Diseño Textil, S.A. is the beneficiary.

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

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

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

Based on the aforementioned counterparty risk considerations, the Company assigns a rating that determines the maximum permissible exposure to a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Company. 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 Company requests that additional security be provided in the form of pledged collateral.

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

At 31 January 2018 and 2017, there were no material past-due balances. Furthermore, based on available historical data, the Company's Directors did not consider it necessary to make valuation adjustments to receivables.

Liquidity risk-

The Company 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 Company 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 14).

Note 14 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Company'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 Company's investment policy, any changes in interest rates at year-end would not significantly affect profits.

- Financial debt: given the amount of the Company's external financing, any change in interest rates at year-end would not significantly affect profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets) (see Note 4-d).

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

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

Country risk-

The international presence of the Company's subsidiaries exposes it to the country risk of numerous geographical regions, mainly in its supply activities. The Company adapts its administrative and business processes in order to minimize country risk and take advantage of the benefits of geographical diversification.

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

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

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

Capital management-

The Company’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 Company 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.

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

20. Other disclosures

2016-2020 Long-Term Incentive Plan

The Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("the Plan") for members of the management team and other personnel of Inditex. 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 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time has elapsed and the achievement of specific targets has been verified, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

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

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

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

The liability relating to the cash-settled component of the Plan is recognized under “Provisions” in the balance sheet and the related period provision is reflected under “Personnel Expenses” in the income statement. 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 Plan is recognized under “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 Plan, the Company acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 11).

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

Extraordinary profit-sharing plan

In 2017, the second period of calculation of the extraordinary plan in relation to participation of employees in the growth of the Company's profits has been settled in accordance with the criteria described in Note 20 of the notes to the annual accounts for 2016.

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

The liability relating to this plan is recognized under “Remuneration Payable” in the balance sheet and the related annual charge is reflected under “Personnel Expenses” in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

Remuneration and other benefits paid to the Company's Directors and senior management

The amounts included in the following tables and paragraphs are expressed in thousands of euros.

The total remuneration earned by the Directors and senior management of Inditex in 2017 was as follows:

	Thousands of euros	
	Directors	Senior managers
Remuneration	12,620	16,604
Termination benefits	-	-
	12,620	**16,604**

The total remuneration earned by the Directors and senior management of Inditex in 2016 was as follows:

	Thousands of euros	
	Directors	Senior managers
Remuneration	12,302	15,168
Termination benefits	-	-
	12,302	**15,168**

According to the public registers of the Spanish National Securities Market Commission (CNMV), at 31 January 2018 the members of the Board of Directors held the direct and indirect ownership interests in the share capital of Inditex detailed in Annex II.

The aforementioned remuneration for 2017 includes the amount vested in 2017 of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan. The incentive vested in 2017 under the aforementioned plan amounted to EUR 4,120 thousand for Directors and EUR 5,388 thousand for senior management and was paid in the first half of the 2017 reporting period. The amounts vested in 2016 corresponding to the first cycle (2013-2016) of the Plan were EUR 3,395 thousand for Directors and EUR 4,439 thousand for senior management and were paid in the first half of 2016.

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

The Company has taken out a third-party liability insurance policy that covers its Directors, senior managers, managers and other employees. The premium for 2017 amounted to EUR 157 thousand (2016: EUR 100 thousand).

In 2017 and 2016 the Company did not pay any remuneration to natural persons representing it on the managing bodies of other companies.

Disclosures required pursuant to Article 229 of Legislative Royal Decree 1/2010, of 2 July, approving the Spanish Companies Act -

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

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

Disclosures on the average period of payment to suppliers-

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Auditing Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to annual accounts in relation to the average period of payment to suppliers in commercial transactions.

	2017	2016
	Days	Days
Average period of payment to suppliers	46.56	46.39
Ratio of transactions settled	47.34	47.23
Ratio of transactions not yet settled	38.61	37.12
	Millions of euros	Millions of euros
Total payments made	930	832
Total payments outstanding	91	75

These balances relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to “Payable to Suppliers”, “Payable to Suppliers - Group Companies and Associates” and “Sundry Accounts Payable” under “Current Liabilities” in the accompanying balance sheet at 31 January 2018 and 2017.

“Average period of payment to suppliers” is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

In addition, if for any reason the quality of the goods or services once received is lower than expected or agreed upon, it is the Company's policy not to make payments until the situation is rectified.

Fees paid to auditors-

In 2017 and 2016 the fees for financial audit services provided by the auditor of the Company's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, amounted to EUR 0.3 million.

In addition, the auditor billed the Company for other services amounting to EUR 0.1 million in 2017.

Information on environmental activities-

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

Events after the reporting period-

No significant events took place subsequent to 2017 year-end that have not been adequately disclosed in these annual accounts.

21. Explanation added for translation to English

These annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2-a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I

List of Company investments in Group companies at 31 January 2018

Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros Shareholders' equity	Net investment
Comditel, S.A.	100,00%	Barcelona - Spain	31-Jan.	Buyer	21	-
Zara Asia, Ltd.	100,00%	Hong Kong SAR	31-Jan.	Retail sales	81	-
Choolet, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	1	1
Confecciones Fíos, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	9	1
Confecciones Goa, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	5	3
Denllo, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	13	-
Hampton, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	8	-
Nikole, S.A.	100,00%	A Coruña - Spain	31-Jan.	Buyer	14	1
Samlor, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	1	5
Stear, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	14	-
Trisko, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	12	1
Zintura, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	13	-
Glencare, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	6	-
Indipunt, S.L.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	12	26
Indipunt Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	-	-
Zara España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	393	89
Zara Argentina, S.A.	100,00%	Buenos Aires - Argentina	31-Jan.	Retail sales	31	95
Zara Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	39	66
Zara Chile, S.A.	100,00%	Santiago de Chile - Chile	31-Dec.	Retail sales	15	2
Zara USA, Inc.	100,00%	New York - US	31-Jan.	Retail sales	431	215
Zara France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	274	230
Zara UK, Ltd.	100,00%	London - UK	31-Jan.	Retail sales	57	45
Zara Mexico, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	13	-
Zara Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	42	24
Zara México, S.A. de C.V.	95,00%	Mexico City - Mexico	31-Dec.	Retail sales	13	-
Zara Portugal- Confecçoes, S.A.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	198	-
G.Zara Uruguay, S.A.	100,00%	Montevideo -Uruguay	31-Jan.	Retail sales	12	10
Zara Financiën B.V. Ireland	100,00%	Dublin - Ireland	31-Jan.	Financial services	1417	-
Zara Brasil, LTDA.	100,00%	Sao Paulo - Brazil	31-Dec.	Retail sales	107	84
Zara Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	69	13
Zara Österreich Clothing, GmbH	100,00%	Vienna - Austria	31-Jan.	Retail sales	18	8
Zara Danmark, AS.	100,00%	Copenhagen - Denmark	31-Jan.	Retail sales	18	31
Zara Sverige, AB.	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	5	30
Zara Norge, AS.	100,00%	Oslo - Norway	31-Jan.	Retail sales	10	7
Zara Canada, Inc.	100,00%	Montreal - Canada	31-Jan.	Retail sales	41	-
Zara Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	67	6
Zara Luxembourg, S.A.	100,00%	Luxembourg - Luxembourg	31-Jan.	Retail sales	5	1
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	33	18
Zara Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	447	342
Zara Japan Corp.	100,00%	Tokyo - Japan	31-Jan.	Retail sales	187	-
Zara Ceská Republika, S.R.O.	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	7	13
Zara Puerto Rico, Inc.	100,00%	San Juan - Puerto Rico	31-Jan.	Retail sales	8	3
Za Clothing Ireland, Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	26	15
Zara Magyarorszag, KFT.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	10	7
Zara Holding, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	1525	325
Zara Monaco, SAM	100,00%	Monte Carlo-Monaco	31-Jan.	Retail sales	17	-
Zara Commercial (Shanghai), Co Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	138	26
Zara Commercial (Beijing), Co Ltd.	100,00%	Beijing - China	31-Dec.	Retail sales	45	8
Zara Macau, Ltd.	100,00%	Macao SAR	31-Dec.	Retail sales	12	-
Zara Polska, Sp. Zo.o.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	52	40
JSC "Zara CIS"	100,00%	Moscow- Russia	31-Dec.	Retail sales	118	39
Zara Deutschland, GmbH	100,00%	Hamburg - Germany	31-Jan.	Holding company	127	114
Zara Bucuresti, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	36	7
Zara Ukraine LLC	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	10	6
Zara Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	5	4
ITX Taiwan B.V. Zara Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	12	-
Zara Croatia, Ltd.	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	18	9
Zara Retail Korea, Co Ltd.	80,00%	Seoul - South Korea	31-Jan.	Retail sales	100	45
Zara Bulgaria Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	5	3
Zara Immobiliare Italia SRL	100,00%	Milan - Italy	31-Jan.	Real estate	1	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros Shareholders' equity	Net investment
Zara Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	278	-
Zara Management, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	-	-
Zara Retail NZ Limited	100,00%	Auckland - New Zealand	31-Jan.	Retail sales	5	-
KG ZARA Deutschland B.V. & Co.	100,00%	Hamburg - Germany	31-Jan.	Retail sales	91	-
Zara Retail South Africa (Proprietary), LTD.	90,00%	Johannesburg - South Africa	31-Jan.	Retail sales	13	-
Group Zara Australia Pty. Ltd.	90,00%	Sydney - Australia	31-Jan.	Retail sales	37	-
Limited Liability Company "ZARA BLR"	100,00%	Minsk-Belorussia	31-Dec.	Retail sales	-	-
Zara S, TRGOVSKO PODJETJE D.O.O.	100,00%	Ljubljana - Slovenia	31-Jan.	Retail sales	2	-
ITX Financien, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Financial services	222	-
ITX Taiwan, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	7	-
Zara Vittorio 11 Italia S.R.L.	100,00%	Milan - Italy	31-Jan.	Real estate	8	-
Zara BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	7	3
Zara Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	2	6
Nikole Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	7	-
Inditex Montenegro, D.O.O. Podgorica	100,00%	Montenegro	31-Dec.	Retail sales	3	-
Inditex Vastgoed Korea, Ltd.	100,00%	Seoul - South Korea	31-Jan.	Real estate	1	1
Inditex Trent Retail India Private Ltd	51,00%	Gurgaon-India	31-Mar.	Retail sales	49	5
Kiddy´s Class España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	72	1
Fibracolor, S.A.	100,00%	Barcelona - Spain	31-Jan.	Dormant	10	9
ITX Holding, S.A.	100,00%	Fribourg - Switzerland	31-Jan.	Holding company	1652	-
Zara Finland, OY	100,00%	Helsinki - Finland	31-Jan.	Retail sales	2	-
Retail Group Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	11	-
ITX Financien III, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Financial services	686	-
ITX Albania SHPK	100,00%	Tirana - Albania	31-Dec.	Retail sales	8	-
Zara Fashion (Shanghai) CO., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	-	-
Oysho España, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	32	18
Oysho Portugal- Confecçoes, S.A	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	7	-
Oysho Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	7	-
Oysho Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	13	-
Oysho Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	8	-
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	7	-
Oysho Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	4	-
Oysho CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	14	-
Oysho France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	7	-
Oysho MAGYARORSZAG, KFT	100,00%	Budapest - Hungary	31-Jan.	Retail sales	1	-
Oysho Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	3	-
Oysho Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	1	-
Oysho Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	5	-
Oysho Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	1	-
Oysho Commercial & Trading (Shangai) Co., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	11	-
Oysho Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	1	-
Oysho Croacia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	-	-
Oysho Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	-	-
Oysho Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	1	-
Oysho Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	1	-
Oysho Hong Kong Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	-	-
Oysho Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	1	-
Limited Liability Company "OYSHO BLR"	100,00%	Minsk-Belorussia	31-Dec.	Retail sales	-	-
Oysho Suisse SÀRL	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	1	-
Oysho Ceska Republica, SRO	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	-	-
Grupo Massimo Dutti, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	112	23
Massimo Dutti Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	10	-
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	10	-
Massimo Dutti France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	36	-
Massimo Dutti UK, Ltd.	100,00%	London - UK	31-Jan.	Retail sales	10	-
Massimo Dutti Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	4	-
Massimo Dutti Sverige, AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	3	-
Massimo Dutti Norge, AS.	100,00%	Oslo - Norway	31-Jan.	Retail sales	3	-
Massimo Dutti Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	24	-
Massimo Dutti Ireland., Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	2	-
Massimo Dutti USA, INC.	100,00%	New York - US	31-Jan.	Retail sales	8	-
Massimo Dutti Danmark AS	100,00%	Copenhagen - Denmark	31-Jan.	Retail sales	-	-
LLC Massimo Dutti	100,00%	Moscow- Russia	31-Dec.	Retail sales	47	-
Massimo Dutti Deutschland, GmbH	100,00%	Hamburg - Germany	31-Jan.	Holding company	12	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros Shareholders' equity	Millions of euros Net investment
Massimo Dutti Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	29	-
Massimo Dutti, S.A.	100,00%	A Coruña - Spain	31-Jan.	Dormant	1	-
Massimo Dutti Hong Kong, Ltd.	100,00%	Hong Kong SAR	31-Jan.	Retail sales	4	-
Massimo Dutti Polska, Sp z.o.o.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	12	-
Massimo Dutti Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	7	-
Massimo Dutti Macau Ltd.	100,00%	Macao SAR	31-Dec.	Retail sales	3	-
Massimo Dutti Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	3	-
Massimo Dutti Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	1	-
Massimo Dutti Commercial Beijing Co, Ltd.	100,00%	Beijing - China	31-Dec.	Retail sales	5	-
Massimo Dutti Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	3	-
Massimo Dutti Croatia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	4	-
Massimo Dutti Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	2	-
Massimo Dutti Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	25	-
Massimo Dutti Commercial Shangai CO, Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	16	-
Massimo Dutti Österreich Clothing, GMBH	100,00%	Vienna - Austria	31-Jan.	Retail sales	1	-
Massimo Dutti Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	2	-
Massimo Dutti Canada, INC.	100,00%	Montreal - Canada	31-Jan.	Retail sales	1	-
Massimo Dutti Finland OY	100,00%	Helsinki - Finland	31-Jan.	Retail sales	1	-
Limited Liability Company "MASSIMO DUTTI BLR"	100,00%	Minsk-Belorussia	31-Dec.	Retail sales	-	-
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100,00%	Ljubljana - Slovenia	31-Jan.	Retail sales	-	-
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	1	-
MD Benelux, SA	100,00%	Bruges - Belgium	31-Jan.	Retail sales	7	-
Italco Moda Italiana, SA	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	18	-
Massimo Dutti Japan, Co.	100,00%	Tokyo - Japan	31-Jan.	Retail sales	-	-
KG Massimo Dutti Deutschland, B.V. & CO.	100,00%	Hamburg - Germany	31-Jan.	Retail sales	1	-
Massimo Dutti Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	2	-
Massimo Dutti Magyarorxzág KFT	100,00%	Budapest - Hungary	31-Jan.	Retail sales	1	-
Master Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	4	-
Massimo Dutti BH, D.O.O	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	1	-
Massimo Duttil India Private Ltd	51,00%	Gurgaon-India	31-Mar.	Retail sales	2	-
Pull & Bear España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	230	9
Pull & Bear Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	12	-
Pull & Bear Portugal Conf. SA	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	17	-
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	9	-
Pull & Bear Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	14	-
Pull & Bear Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	4	-
Pull & Bear France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	22	-
Pull & Bear Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	44	-
Pull & Bear Ceska Republika, S.R.O.	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	2	-
Pull & Bear Ireland, Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	5	-
Pull & Bear Magyarország Kft.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	3	-
Pull & Bear Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	11	-
Pull & Bear CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	21	-
Pull & Bear Uk Limited	100,00%	London - UK	31-Jan.	Retail sales	6	-
Pull & Bear Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	10	-
Pull & Bear Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	4	-
Pull & Bear Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	1	-
Pull & Bear Croatia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	3	-
Pull & Bear Commercial Beijing Co, Ltd.	100,00%	Beijing - China	31-Dec.	Retail sales	22	-
Pull & Bear Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	2	-
Pull & Bear Hong Kong Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	3	-
Pull & Bear Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	50	-
Pull & Bear Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	2	-
Pull & Bear Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	7	-
Pull & Bear Österreich Clothing, Gmbh	100,00%	Vienna - Austria	31-Jan.	Retail sales	1	-
Pull & Bear Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	(2)	-
Pull & Bear Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	1	-
Pull & Bear BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	1	-
Limited Liability Company "PULL AND BEAR BLR"	100,00%	Minsk-Belorussia	31-Dec.	Retail sales	-	-
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100,00%	Ljubljana - Slovenia	31-Jan.	Retail sales	1	-
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	-	-
Plataforma Cabanillas, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	6	-

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P&B Gmbh	100,00%	Hamburg - Germany	31-Jan.	Holding company	6	-
Pull & Bear Deutschland BV& CO	100,00%	Hamburg - Germany	31-Jan.	Retail sales	1	-
Pro Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	-	-
Pull & Bear Sverige, AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	1	-
Pull & Bear Suisse, SÁRL	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	3	-
Uterqüe, S.A.	100,00%	A Coruña - Spain	31-Jan.	Buyer	27	38
Uterqüe España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	16	-
Uterqüe Hellas	100,00%	Athens - Greece	31-Jan.	Retail sales	-	-
Gruputerqüe Portugal Conf. SA	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	2	-
Uterqüe Cis, Ltd	100,00%	Moscow- Russia	31-Dec.	Retail sales	3	-
Uterqüe Giyim Limited	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	-	-
Uterqüe México S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	3	-
Uterqüe Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	2	-
ITX Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	1	-
ITX Finance Asia, LTD	100,00%	Hong Kong SAR	31-Jan.	Financial services	-	-
Uterqüe Commercial & Trading (Shangai) Co., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	-	-
Uterqüe Polska SP. Z O.O.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	1	-
Uterqüe Kazakhstan LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	-	-
Uterqüe Ukraine, LLC	100,00%	Kiev - Ukraine	31-Jan.	Retail sales	-	-
Bershka BSK España, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	169	10
Bershka Portugal Conf. Soc. Unip. SA	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	20	-
Bershka Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	14	-
Bershka Mexico, S.A. de CV	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	19	-
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	12	-
Bershka Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	11	-
Bershka France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	45	-
Bershka Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	9	-
Bershka Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	16	-
Bershka Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	42	-
Bershka U.K., Ltd.	100,00%	London - UK	31-Jan.	Retail sales	4	-
Bershka Ireland., Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	6	-
Bershka Ceska Republica, S.R.O.	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	3	-
Bershka Croatia, Ltd.	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	4	-
Bershka Polska Sp Z O.O.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	13	-
Bershka Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	2	-
Bershka Carpati, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	10	-
Bershka Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	4	-
Bershka Magyaroszag Kft.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	4	-
Bershka Cis, Ltd	100,00%	Moscow- Russia	31-Dec.	Retail sales	42	-
Bershka Osterreich Clothing GmbH	100,00%	Vienna - Austria	31-Jan.	Retail sales	-	-
Bershka Hong Kong Limited	100,00%	Hong Kong SAR	31-Jan.	Retail sales	2	-
Bershka Commercial Beijing Co, Ltd	100,00%	Beijing - China	31-Dec.	Retail sales	17	-
Bershka Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	2	-
Bershka Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	-	-
Bershka Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	36	-
Bershka Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	1	-
Bershka Japan, Co	100,00%	Tokyo - Japan	31-Jan.	Retail sales	13	-
BSKE, GMBH	100,00%	Hamburg - Germany	31-Jan.	Holding company	19	-
Bershka BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	2	-
Bershka Deutschland B.V. & CO. KG	100,00%	Hamburg - Germany	31-Jan.	Retail sales	5	-
Bershka Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	1	-
Best Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	2	-
Bershka Commercial (Shanghai) Co, Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	2	-
Bershka USA INC	100,00%	New York - US	31-Jan.	Retail sales	-	-
Limited Liability Company "BK GARMENTS BLR"	100,00%	Minsk-Belorussia	31-Dec.	Retail sales	-	-
Bershka S, TRGOVSKO PODJETJE D.O.O.	100,00%	Ljubljana - Slovenia	31-Jan.	Retail sales	1	-
ITX Taiwan B.V. Bershka Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	-	-
Stradivarius España, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	113	116
Stradivarius Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	12	-
ITX RE DAC	100,00%	Dublin - Ireland	31-Jan.	Insurance	122	-
Stradivarius Portugal, Conf. Unip. SA	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	17	-
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	4	-
Stradivarius Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	15	-
Stradivarius Ireland Limited	100,00%	Dublin - Ireland	31-Jan.	Retail sales	2	-
Stradivarius Italia SRL	100,00%	Milan - Italy	31-Jan.	Retail sales	32	-

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Stradivarius CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	20	-
Stradivarius France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	14	-
Stradivarius Magyaroszag Kft.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	3	-
Stradivarius Croatia, Ltd.	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	3	-
Stradivarius Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	1	-
Stradivarius Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	6	-
Stradivarius Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	2	-
Stradivarius Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	1	-
Stradivarius Commercial Shangai CO, Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	18	-
Stradivarius Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	1	-
Stradivarius Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	22	-
Stradivarius Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	1	-
Stradivarius Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	(1)	-
Stradivarius Hong Kong, Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	-	-
Stradivarius México, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	12	-
Stradivarius BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	2	-
Stradivarius Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	-	-
Stradivarius UK LIMITED	100,00%	London - UK	31-Jan.	Retail sales	1	-
Stradivarius Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	1	-
Limited Liability Company "STRADIVARIUS BLR"	100,00%	Minsk-Belorussia	31-Dec.	Retail sales	-	-
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100,00%	Ljubljana - Slovenia	31-Jan.	Retail sales	1	-
Spanish Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	-	-
Stradivarius Japan Corporation	100,00%	Tokyo - Japan	31-Jan.	Retail sales	3	-
ITX Trading, S.A.	100,00%	Fribourg - Switzerland	31-Jan.	Buyer	1061	-
Zara Home España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	150	6
Zara Home Portugal, Conf. SA	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	15	-
Zara Home U.K., Ltd.	100,00%	London - UK	31-Jan.	Retail sales	4	-
Zara Home Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	6	-
Zara Home Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	4	-
Zara Home Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	9	-
Zara Home Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	25	-
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	4	-
Zara Home Francia, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	23	-
Zara Home Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	2	-
Zara Home CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	18	-
Zara Home Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	-	-
Zara Home Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	4	-
Zara Home Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	15	-
Zara Home Deutschland B.V. & Co. KG	100,00%	Hamburg - Germany	31-Jan.	Retail sales	3	-
ZHE, Gmbh	100,00%	Hamburg - Germany	31-Jan.	Holding company	15	-
Zara Home Brasil Produtos para o Lar, Ltda.	100,00%	Sao Paulo - Brazil	31-Dec.	Retail sales	8	-
Zara Home Croatia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	1	-
Zara Home Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	5	-
Zara Home Commercial & Trading (Shangai) Co., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	7	-
Zara Home Japan Corp.	100,00%	Tokyo - Japan	31-Jan.	Retail sales	7	-
Zara Home Canada, Inc	100,00%	Montreal - Canada	31-Jan.	Retail sales	1	-
Zara Home Macao SUL	100,00%	Macao SAR	31-Dec.	Retail sales	-	-
Zara Home Sverige AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	2	-
Zara Home Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	3	-
Zara Home Hong Kong Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	1	-
G. Zara Home Uruguay, S.A.	100,00%	Montevideo -Uruguay	31-Jan.	Retail sales	3	-
Zara Home Suisse SÀRL	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	6	-
Zara Home Chile SPA	100,00%	Santiago de Chile - Chile	31-Dec.	Retail sales	2	-
Zara Home Australia Pty Ltd	100,00%	Sydney - Australia	31-Jan.	Retail sales	-	-
Zara Home Magyarorszag KFT.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	1	-
Zara Home Korea LIMITED	100,00%	Seoul - South Korea	31-Jan.	Retail sales	1	-
Zara Home Danmark A/S	100,00%	Copenhagen - Denmark	31-Jan.	Retail sales	2	-
Zara Home SRB DOO Beograd	100,00%	Belgrade - Serbia	31-Dec.	Retail sales	1	-
Limited Liability Company "ZARA HOME BLR"	100,00%	Minsk-Belorussia	31-Dec.	Retail sales	-	-
Zara Home Ceska Republica, SRO	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	-	-
ITX Taiwan B.V. Zara Home Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	-	-
Zara Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	28	-
Plataforma Europa, S.A.	100,00%	Zaragoza - Spain	31-Jan.	Logistics	31	2
Plataforma Logística León, S.A.	100,00%	León - Spain	31-Jan.	Logistics	24	6
Plataforma Logística Meco, S.A.	100,00%	Madrid - Spain	31-Jan.	Logistics	28	-
Pull & Bear Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	6	-
Massimo Dutti Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	6	-
Bershka Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	6	-
Oysho Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	5	-
Stradivarius Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	6	-
Zara Home Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	6	-
Uterqüe Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	1	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros Shareholders' equity	Millions of euros Net investment
Uterque Fashion RO S.R.L.	100,00%	Bucharest - Romania	31-Dec.	Retail sales	-	-
Lefties Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	3	-
Inditex Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	129	-
Tordera Logística, S.L.	100,00%	A Coruña - Spain	31-Jan.	Logistics	1	-
Nueva comercializadora global XXI, S.A. DE C.V.	100,00%	Mexico City - Mexico	31-Dec.	Logistics	-	-
Corporación de Servicios XX1, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Services	5	-
ITX Fashion Ltd	100,00%	Dublin - Ireland	31-Jan.	Dormant	-	-
Goa-Invest, S.A.	100,00%	A Coruña - Spain	31-Jan.	Construction	141	1
Goa-Invest Deutschland GMBH	100,00%	Hamburg - Germany	31-Jan.	Construction	10	-
Zara Vastgoed, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Real estate	128	-
ITX Global Solutions LIMITED	100,00%	Hong Kong SAR	31-Jan.	Services	30	-
SNC Zara France Immobiliere	100,00%	Paris - France	31-Dec.	Real estate	(6)	-
SCI Vastgoed Ferreol P03302	100,00%	Paris - France	31-Dec.	Real estate	7	-
SCI Vastgoed France P03301	100,00%	Paris - France	31-Dec.	Real estate	13	-
SCI Vastgoed General Leclerc P03303	100,00%	Paris - France	31-Dec.	Real estate	11	-
SCI Vastgoed Nancy P03304	100,00%	Paris - France	31-Dec.	Real estate	9	-
Invercarpro, S.A.	100,00%	Madrid - Spain	31-Jan.	Real estate	74	-
Robustae Confeçciones, S.A	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	58	6
Lefties España, S,A,	100,00%	A Coruña - Spain	31-Jan.	Real estate	5	1
Born, S.A.	100,00%	Palma de Mallorca - Spain	31-Jan.	Real estate	1	-
LFT RUS Ltd	100,00%	Moscow- Russia	31-Dec.	Retail sales	1	-
Lelystad Platform, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Services	-	-
Robustae Mexico, S.A DE C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	17	-
Inditex Cogeneración, A.I.E.	100,00%	A Coruña - Spain	31-Jan.	Combined heat and power plant	2	1
Inditex, S.A.	100,00%	A Coruña - Spain	31-Jan.	Dormant	-	-
Zara Holding II, B.V	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	620	-
Zara, S.A.	100,00%	A Coruña - Spain	31-Jan.	Dormant	-	-
Zara, S.A.	100,00%	Buenos Aires - Argentina	31-Jan.	Dormant	-	-
Fashion Logistic Forwarders, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	6	-
ITX Asia Pacific Enterprise Management, Co., Ltd	100,00%	Shanghai - China	31-Dec.	Buyer	93	-
FSF New York, LLC	100,00%	New York - US	31-Jan.	Real estate	241	-
FSF Soho, LLC	100,00%	New York - US	31-Jan.	Real estate	264	-
ITX USA, LLC	100,00%	New York - US	31-Jan.	Retail sales	7	7
Fashion Retail España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	131	-
ITXR Macedonaia Dooel Skopje	100,00%	Skopje-Macedonia	31-Dec.	Retail sales	6	-
ITX E-commerce (Shanghai) Co. Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	19	-
ITX Financien II, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Financial services	1202	-
ITX Korea LIMITED	100,00%	Seoul - South Korea	31-Jan.	Retail sales	6	-
ITX Services India Private Ltd	100,00%	Gurgaon-India	31-Mar.	Buyer	2	-
Inditex France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Dormant	-	-
ITX Merken, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Services	6157	-
Zara Home Österreich Clothing GMBH	100,00%	Vienna - Austria	31-Jan.	Retail sales	1	-
Massimo Dutti Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	1	-
Pull & Bear, Luxembourg S.A.	100,00%	Luxembourg - Luxembourg	31-Jan.	Retail sales	1	-
Zara Vittorio 13 Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Real estate	25	-
CDC Trading (Shangai) Co. LTD.	100,00%	Shanghai - China	31-Dec.	Buyer	2	-
Oysho Sverige, AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	-	-
Oysho Slovakia S.R.O	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	-	-
Zara Home Retail South Africa (PTY) LTD.	100,00%	Johannesburg - South Africa	31-Jan.	Retail sales	1	-
FGI Gestión Mex, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Construction	3	-

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List of Company investments in jointly controlled entities at 31 January 2018

	Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros	
						Shareholders' equity	Net investment
	Tempe, S.A.	50,00%	Alicante - Spain	31-Jan.	Marketing of footwear	393	-
	Tempe México, S.A. de C.V.	50,00%	Mexico City - Mexico	31-Dec.	Marketing of footwear	11	-
	Tempe Logística, S.A.	50,00%	Alicante - Spain	31-Jan.	Logistics	-	-
	Tempe Brasil, Ltda.	50,00%	Sao Paulo - Brazil	31-Dec.	Dormant	16	-
	Tempe Diseño, S.L.	50,00%	Alicante - Spain	31-Jan.	Design	34	-
	Tempe Trading	50,00%	Fribourg - Switzerland	31-Oct.	Dormant	5	-
	Tempe Trading Asia Limited	50,00%	Hong Kong SAR	31-Jan.	Marketing of footwear	71	-
	TMP Trading (Shanghai) Co. Ltd	50,00%	Shanghai - China	31-Dec.	Marketing of footwear	17	-

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List of Company investments in Group companies at 31 January 2017

Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros: Shareholders' equity	Millions of euros: Net investment
Comditel, S.A.	100,00%	Barcelona - Spain	31-Jan.	Buyer	20	-
Zara Asia, Ltd.	100,00%	Hong Kong SAR	31-Jan.	Retail sales	104	-
Choolet, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	1	1
Confecciones Fíos, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	10	1
Confecciones Goa, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	5	3
Denllo, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	15	-
Hampton, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	8	-
Nikole, S.A.	100,00%	A Coruña - Spain	31-Jan.	Buyer	8	1
Samlor, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	1	5
Stear, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	15	-
Trisko, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	12	1
Zintura, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	16	-
Glencare, S.A.	100,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	7	-
Indipunt, S.L.	51,00%	A Coruña - Spain	31-Jan.	Textile manufacturing	34	7
Indipunt Diseño, S.L.	51,00%	A Coruña - Spain	31-Jan.	Design	1	-
Zara España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	206	89
Zara Argentina, S.A.	100,00%	Buenos Aires - Argentina	31-Jan.	Retail sales	29	95
Zara Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	137	160
Zara Chile, S.A.	100,00%	Santiago de Chile - Chile	31-Dec.	Retail sales	17	2
Zara USA, Inc.	100,00%	New York - US	31-Jan.	Retail sales	474	215
Zara France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	303	230
Zara UK, Ltd.	100,00%	London - UK	31-Jan.	Retail sales	8	45
Zara Mexico, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	45	-
Zara Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	41	24
Zara México, S.A. de C.V.	95,00%	Mexico City - Mexico	31-Dec.	Retail sales	25	-
Zara Portugal Confecçoes Lda.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	180	-
G.Zara Uruguay, S.A.	100,00%	Montevideo -Uruguay	31-Jan.	Retail sales	16	10
Zara Financiën B.V. Ireland	100,00%	Dublin - Ireland	31-Jan.	Financial services	1.323	-
Zara Brasil, Lda.	100,00%	Sao Paulo - Brazil	31-Dec.	Retail sales	125	84
Zara Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	59	13
Zara Österreich Clothing, GmbH	100,00%	Vienna - Austria	31-Jan.	Retail sales	18	8
Zara Denmark A/S	100,00%	Copenhagen - Denmark	31-Jan.	Retail sales	15	31
Zara Sverige, AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	10	30
Zara Norge, AS	100,00%	Oslo - Norway	31-Jan.	Retail sales	14	7
Zara Canada, Inc.	100,00%	Montreal - Canada	31-Jan.	Retail sales	37	-
Zara Suisse S.A.R.L.	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	61	6
Zara Luxembourg, S.A.	100,00%	Luxembourg - Luxembourg	31-Jan.	Retail sales	3	1
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	24	18
Zara Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	401	342
Zara Japan Corp.	100,00%	Tokyo - Japan	31-Jan.	Retail sales	185	-
Zara Ceská Republika, S.R.O.	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	7	13
Zara Puerto Rico, Inc.	100,00%	San Juan - Puerto Rico	31-Jan.	Retail sales	8	3
Za Clothing Ireland, Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	15	15
Zara Magyarorszag, KFT.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	12	8
Zara Holding, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	1.394	325
Zara Monaco, SAM	100,00%	Monte Carlo-Monaco	31-Jan.	Retail sales	16	-
Zara Commercial (Shanghai), Co Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	151	26
Zara Commercial (Beijing), Co Ltd.	100,00%	Beijing - China	31-Dec.	Retail sales	53	8
Zara Macau, Ltd.	100,00%	Macao SAR	31-Dec.	Retail sales	13	-
Zara Polska, Sp. Zo.o.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	44	40
ZAO Zara CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	116	39
Zara Deutschland, GmbH	100,00%	Hamburg - Germany	31-Jan.	Holding company	127	114
Zara Bucuresti, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	36	7
Zara Ukraine LLC	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	16	6
Zara Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	6	4
Zara Taiwan, B.V. TW Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	19	-
Zara Croatia, Ltd.	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	17	9
Zara Retail Korea, Ltd.	80,00%	Seoul - South Korea	31-Jan.	Retail sales	99	45
Zara Bulgaria Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	8	4
Zara Immobiliare Italia SRL	100,00%	Milan - Italy	31-Jan.	Real estate	-	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros Shareholders' equity	Net investment
Zara Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	256	-
Zara Management, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	-	-
Zara Retail NZ Limited	100,00%	Auckland - New Zealand	31-Jan.	Retail sales	3	-
Kommanditgesellschaft ZARA Deutschland B.V. & Co.	100,00%	Hamburg - Germany	31-Jan.	Retail sales	93	-
Zara Retail South Africa (Proprietary), LTD.	90,00%	Johannesburg - South Africa	31-Jan.	Retail sales	16	-
Group Zara Australia Pty. Ltd.	90,00%	Sydney - Australia	31-Jan.	Retail sales	34	-
ITX Financien, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Financial services	303	-
Zara Taiwan, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	3	-
Zara Vittorio 11 Italia S.R.L.	100,00%	Milan - Italy	31-Jan.	Real estate	6	-
Zara BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	6	3
Zara Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	3	6
Nikole Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	5	-
Inditex Montenegro, D.O.O. Podgorica	100,00%	Montenegro	31-Dec.	Retail sales	3	-
Inditex Vastgoed Korea, Ltd.	100,00%	Seoul - South Korea	31-Jan.	Real estate	1	1
Inditex Trent Retail India Private Ltd	51,00%	Gurgaon-India	31-Mar.	Retail sales	44	5
Kiddy´s Class España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	65	1
Fibracolor, S.A.	100,00%	Barcelona - Spain	31-Jan.	Dormant	10	9
ITX Holding, S.A.	100,00%	Fribourg - Switzerland	31-Jan.	Holding company	1.652	-
Zara Finland, OY	100,00%	Helsinki - Finland	31-Jan.	Retail sales	2	-
Retail Group Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	11	-
ITX Financien III, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Financial services	447	-
ITX Albania SHPK	100,00%	Tirana - Albania	31-Dec.	Retail sales	7	-
Zara Fashion (Shanghai) CO., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	1	-
Oysho España, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	59	18
Oysho Portugal, Conf. Lda.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	5	-
Oysho Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	9	-
Oysho Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	12	-
Oysho Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	7	-
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	6	-
Oysho Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	4	-
Oysho CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	14	-
Oysho France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	8	-
Oysho MAGYARORSZAG, KFT	100,00%	Budapest - Hungary	31-Jan.	Retail sales	1	-
Oysho Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	3	-
Oysho Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	1	-
Oysho Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	10	-
Oysho Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	1	-
Oysho Commercial & Trading (Shangai) Co., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	11	-
Oysho Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	1	-
Oysho Croacia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	1	-
Oysho Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	-	-
Oysho Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	1	-
Oysho Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	1	-
Oysho Hong Kong Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	-	-
Oysho Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	-	-
Grupo Massimo Dutti, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	127	23
Massimo Dutti Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	10	-
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	10	-
Massimo Dutti France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	41	-
Massimo Dutti UK, Ltd.	100,00%	London - UK	31-Jan.	Retail sales	9	-
Massimo Dutti Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	7	-
Massimo Dutti Sverige, AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	4	-
Massimo Dutti Norge, AS.	100,00%	Oslo - Norway	31-Jan.	Retail sales	4	-
Massimo Dutti Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	25	-
Massimo Dutti Ireland., Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	2	-
Massimo Dutti USA, INC.	100,00%	New York - US	31-Jan.	Retail sales	11	-
Massimo Dutti Danmark A/S	100,00%	Copenhagen - Denmark	31-Jan.	Dormant	-	-
Massimo Dutti CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	41	-
Massimo Dutti Deutschland, GmbH	100,00%	Hamburg - Germany	31-Jan.	Holding company	9	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros: Shareholders' equity	Net investment
Massimo Dutti Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	25	-
BCN Diseños, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Real estate	6	-
Liprasa Cartera, S.L.	100,00%	Madrid - Spain	31-Jan.	Holding company	2	-
Massimo Dutti, S.A.	100,00%	A Coruña - Spain	31-Jan.	Dormant	1	-
Massimo Dutti Hong Kong, Ltd.	100,00%	Hong Kong SAR	31-Jan.	Retail sales	6	-
Massimo Dutti Polska, Sp z.o.o.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	10	-
Massimo Dutti Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	8	-
Massimo Dutti Macau Ltd.	100,00%	Macao SAR	31-Dec.	Retail sales	3	-
Massimo Dutti Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	4	-
Massimo Dutti Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	1	-
Massimo Dutti Commercial Beijing Co, Ltd.	100,00%	Beijing - China	31-Dec.	Retail sales	5	-
Massimo Dutti Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	3	-
Massimo Dutti Croatia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	3	-
Massimo Dutti Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	2	-
Massimo Dutti Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	27	-
Massimo Dutti Commercial Shangai CO, Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	19	-
Massimo Dutti Österreich, GMBH	100,00%	Vienna - Austria	31-Jan.	Retail sales	1	-
Massimo Dutti Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	2	-
Massimo Dutti Canada, INC.	100,00%	Montreal - Canada	31-Jan.	Retail sales	2	-
Massimo Dutti Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	1	-
Massimo Dutti Finland OY	100,00%	Helsinki - Finland	31-Jan.	Retail sales	-	-
MD Benelux, N.V.	100,00%	Bruges - Belgium	31-Jan.	Retail sales	7	-
Italco Moda Italiana, LDA.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	14	-
Massimo Dutti Japan, Co.	100,00%	Tokyo - Japan	31-Jan.	Retail sales	-	-
KG Massimo Dutti Deutschland, B.V. & CO.	100,00%	Hamburg - Germany	31-Jan.	Retail sales	3	-
Massimo Dutti Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	2	-
Massimo Dutti Magyarorxzág KFT	100,00%	Budapest - Hungary	31-Jan.	Retail sales	3	-
Massimo Dutti Taiwan, B.V	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	1	-
Master Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	8	-
Massimo Dutti BH, D.O.O	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	1	-
Massimo Duttil India Private Ltd	51,00%	Gurgaon-India	31-Mar.	Retail sales	3	-
Pull & Bear España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	338	9
Pull & Bear Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	12	-
Pull & Bear Portugal Conf. Lda.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	18	-
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	7	-
Pull & Bear Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	20	-
Pull & Bear Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	5	-
Pull & Bear France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	23	-
Pull & Bear Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	40	-
Pull & Bear Ceska Republika, S.R.O.	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	2	-
Pull & Bear Ireland, Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	3	-
Pull & Bear Magyarország Kft.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	4	-
Pull & Bear Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	8	-
Pull & Bear CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	14	-
Pull & Bear Uk Limited	100,00%	London - UK	31-Jan.	Retail sales	4	-
Pull & Bear Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	9	-
Pull & Bear Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	5	-
Pull & Bear Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	1	-
Pull & Bear Croatia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	2	-
Pull & Bear Commercial Beijing Co, Ltd.	100,00%	Beijing - China	31-Dec.	Retail sales	22	-
Pull & Bear Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	2	-
Pull & Bear Hong Kong Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	4	-
Pull & Bear Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	34	-
Pull & Bear Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	2	-
Pull & Bear Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	5	-
Pull & Bear Österreich Clothing, Gmbh	100,00%	Vienna - Austria	31-Jan.	Retail sales	-	-
Pull & Bear Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	-	-
Pull & Bear Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	(2)	-
Pull & Bear Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	1	-
Pull & Bear BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	1	-
Plataforma Cabanillas, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	5	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros Shareholders' equity	Net investment
Pull & Bear Taiwan, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	1	-
P&B Gmbh	100,00%	Hamburg - Germany	31-Jan.	Holding company	6	-
Pull & Bear Deutschland BV& CO	100,00%	Hamburg - Germany	31-Jan.	Retail sales	1	-
Pro Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	(1)	-
Pull & Bear Sverige, AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	1	-
Pull & Bear Suisse, SÁRL	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	2	-
Uterqüe, S.A.	100,00%	A Coruña - Spain	31-Jan.	Buyer	30	38
Uterqüe España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	16	-
Uterqüe Hellas	100,00%	Athens - Greece	31-Jan.	Retail sales	-	-
Gruputerqüe Portugal Conf. Lda	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	2	-
Uterqüe Cis, Ltd	100,00%	Moscow- Russia	31-Dec.	Retail sales	3	-
Uterqüe Giyim Limited	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	-	-
Uterqüe México S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	3	-
Uterqüe Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	2	-
ITX Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	1	-
ITX Finance Asia, LTD	100,00%	Hong Kong SAR	31-Jan.	Financial services	-	-
Uterqüe Commercial & Trading (Shangai) Co., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	-	-
Uterqüe Polska SP. Z O.O.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	-	-
Uterqüe Kazakhstan LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	-	-
Uterqüe Ukraine, LLC	100,00%	Kiev - Ukraine	31-Jan.	Retail sales	-	-
Bershka BSK España, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	161	10
Bershka Portugal Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	17	-
Bershka Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	14	-
Bershka Mexico, S.A. de CV	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	34	-
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	11	-
Bershka Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	11	-
Bershka France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	48	-
Bershka Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	8	-
Bershka Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	14	-
Bershka Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	28	-
Bershka U.K., Ltd.	100,00%	London - UK	31-Jan.	Retail sales	3	-
Bershka Ireland., Ltd.	100,00%	Dublin - Ireland	31-Jan.	Retail sales	5	-
Bershka Ceska Republica, S.R.O.	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	3	-
Bershka Croatia, Ltd.	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	4	-
Bershka Polska Sp Z O.O.	100,00%	Warsaw - Poland	31-Jan.	Retail sales	9	-
Bershka Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	2	-
Bershka Carpati, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	10	-
Bershka Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	5	-
Bershka Magyaroszag Kft.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	6	-
Bershka Cis, Ltd	100,00%	Moscow- Russia	31-Dec.	Retail sales	31	-
Bershka Osterreich Clothing GmbH	100,00%	Vienna - Austria	31-Jan.	Retail sales	1	-
Bershka Hong Kong Limited	100,00%	Hong Kong SAR	31-Jan.	Retail sales	4	-
Bershka Commercial Beijing Co, Ltd	100,00%	Beijing - China	31-Dec.	Retail sales	18	-
Bershka Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	2	-
Bershka Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	1	-
Bershka Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	1	-
Bershka Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	40	-
Bershka Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	2	-
Bershka Japan, Ltd	100,00%	Tokyo - Japan	31-Jan.	Retail sales	15	-
BSKE, GMBH	100,00%	Hamburg - Germany	31-Jan.	Holding company	19	-
Bershka BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	2	-
Bershka Deutschland B.V. & CO. KG	100,00%	Hamburg - Germany	31-Jan.	Retail sales	3	-
Bershka Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	1	-
Bershka Taiwan, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	1	-
Best Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	1	-
Bershka Commercial (Shanghai) Co, Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	3	-
Bershka USA INC	100,00%	New York - US	31-Jan.	Retail sales	-	-
Stradivarius España, S.A.	100,00%	Barcelona - Spain	31-Jan.	Retail sales	137	116
Stradivarius Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	11	-
ITX RE	100,00%	Dublin - Ireland	31-Jan.	Insurance	128	-
Stradivarius Portugal, Conf. Unip. Lda.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	18	-
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	5	-
Stradivarius Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	14	-
Stradivarius Ireland Limited	100,00%	Dublin - Ireland	31-Jan.	Retail sales	1	-
Stradivarius Italia SRL	100,00%	Milan - Italy	31-Jan.	Retail sales	30	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros: Shareholders' equity	Millions of euros: Net investment
Stradivarius CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	18	-
Stradivarius France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	16	-
Stradivarius Magyaroszag Kft.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	3	-
Stradivarius Croatia, Ltd.	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	2	-
Stradivarius Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	1	-
Stradivarius Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	6	-
Stradivarius Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	2	-
Stradivarius Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	31-Jan.	Retail sales	1	-
Stradivarius Commercial Shangai CO, Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	18	-
Stradivarius Bulgaria, Ltd	100,00%	Sofia - Bulgaria	31-Dec.	Retail sales	1	-
Stradivarius Diseño, S.L.	100,00%	Barcelona - Spain	31-Jan.	Design	24	-
Stradivarius Macau, Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	2	-
Stradivarius Korea, Ltd	100,00%	Seoul - South Korea	31-Jan.	Retail sales	(1)	-
Stradivarius Hong Kong, Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	1	-
Stradivarius México, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	13	-
Stradivarius BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	31-Dec.	Retail sales	1	-
Stradivarius Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	31-Jan.	Retail sales	-	-
Stradivarius UK LIMITED	100,00%	London - UK	31-Jan.	Retail sales	-	-
Stradivarius Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	-	-
Spanish Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	-	-
Stradivarius Japan Corporation	100,00%	Tokyo - Japan	31-Jan.	Retail sales	5	-
ITX Trading, S.A.	100,00%	Fribourg - Switzerland	31-Jan.	Buyer	760	-
Zara Home España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	168	6
Zara Home Portugal, Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	15	-
Zara Home U.K., Ltd.	100,00%	London - UK	31-Jan.	Retail sales	4	-
Zara Home Hellas, S.A.	100,00%	Athens - Greece	31-Jan.	Retail sales	6	-
Zara Home Nederland, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Retail sales	4	-
Zara Home Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	13	-
Zara Home Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Retail sales	24	-
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	4	-
Zara Home Francia, S.A.R.L.	100,00%	Paris - France	31-Jan.	Retail sales	23	-
Zara Home Ro, Srl	100,00%	Bucharest - Romania	31-Dec.	Retail sales	2	-
Zara Home CIS, Ltd.	100,00%	Moscow- Russia	31-Dec.	Retail sales	14	-
Zara Home Ukraine, Llc	100,00%	Kiev - Ukraine	31-Dec.	Retail sales	-	-
Zara Home Polska, Sp zo.o	100,00%	Warsaw - Poland	31-Jan.	Retail sales	3	-
Zara Home Diseño, S.L.	100,00%	A Coruña - Spain	31-Jan.	Design	13	-
Zara Home Deutschland B.V. & Co. KG	100,00%	Hamburg - Germany	31-Jan.	Retail sales	3	-
Zara Home Taiwan, B.V. TW Branch	100,00%	Taipei - Taiwan	31-Jan.	Retail sales	-	-
ZHE, Gmbh	100,00%	Hamburg - Germany	31-Jan.	Holding company	15	-
Zara Home Brasil Produtos para o Lar, Ltda.	100,00%	Sao Paulo - Brazil	31-Dec.	Retail sales	12	-
Zara Home Croatia, Ltd	100,00%	Zagreb-Croatia	31-Jan.	Retail sales	1	-
Zara Home Belgique, S.A.	100,00%	Brussels - Belgium	31-Jan.	Retail sales	6	-
Zara Home Commercial & Trading (Shangai) Co., Ltd.	100,00%	Shanghai - China	31-Dec.	Retail sales	7	-
Zara Home Japan Corp.	100,00%	Tokyo - Japan	31-Jan.	Retail sales	7	-
Zara Home Canada, Inc	100,00%	Montreal - Canada	31-Jan.	Retail sales	1	-
Zara Home Taiwan, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	1	-
Zara Home Macao Ltd	100,00%	Macao SAR	31-Dec.	Retail sales	-	-
Zara Home Sverige AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	2	-
Zara Home Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	31-Dec.	Retail sales	2	-
Zara Home Hong Kong Ltd	100,00%	Hong Kong SAR	31-Jan.	Retail sales	2	-
G. Zara Home Uruguay, S.A.	100,00%	Montevideo -Uruguay	31-Jan.	Retail sales	3	-
Zara Home Suisse SÀRL	100,00%	Fribourg - Switzerland	31-Jan.	Retail sales	5	-
Zara Home Chile SPA	100,00%	Santiago de Chile - Chile	31-Dec.	Retail sales	2	-
Zara Home Australia Pty Ltd	100,00%	Sydney - Australia	31-Jan.	Retail sales	1	-
Zara Home Magyarorszag KFT.	100,00%	Budapest - Hungary	31-Jan.	Retail sales	1	-
Zara Home Korea LIMITED	100,00%	Seoul - South Korea	31-Jan.	Retail sales	1	-
Zara Home Danmark A/S	100,00%	Copenhagen - Denmark	31-Jan.	Retail sales	1	-
Zara Home SRB DOO Beograd	100,00%	Belgrade - Serbia	31-Dec.	Retail sales	1	-
Zara Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	26	-
Plataforma Europa, S.A.	100,00%	Zaragoza - Spain	31-Jan.	Logistics	27	2
Plataforma Logística León, S.A.	100,00%	León - Spain	31-Jan.	Logistics	21	6
Plataforma Logística Meco, S.A.	100,00%	Madrid - Spain	31-Jan.	Logistics	25	-
Pull & Bear Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	8	-
Massimo Dutti Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	12	-
Bershka Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	22	-
Oysho Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	4	-
Stradivarius Logística, S.A.	100,00%	Barcelona - Spain	31-Jan.	Logistics	16	-
Zara Home Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	8	-
Uterqüe Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	1	-

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Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros: Shareholders' equity	Net investment
Lefties Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	2	-
Inditex Logística, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	74	-
Tordera Logística, S.L.	100,00%	A Coruña - Spain	31-Jan.	Logistics	1	-
Nueva comercializadora global XXI, S.A. DE C.V.	100,00%	Mexico City - Mexico	31-Dec.	Logistics	-	-
Corporación de Servicios XX1, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Services	3	-
ITX Fashion Ltd	100,00%	Dublin - Ireland	31-Jan.	Retail sales	238	-
Goa-Invest, S.A.	100,00%	A Coruña - Spain	31-Jan.	Construction	106	1
Goa-Invest Deutschland GMBH	100,00%	Hamburg - Germany	31-Jan.	Construction	8	-
Zara Vastgoed, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Real estate	114	-
ITX Global Solutions LIMITED	100,00%	Hong Kong SAR	31-Jan.	Services	46	-
SNC Zara France Immobiliere	100,00%	Paris - France	31-Dec.	Real estate	(6)	-
SCI Vastgoed Ferreol P03302	100,00%	Paris - France	31-Dec.	Real estate	7	-
SCI Vastgoed France P03301	100,00%	Paris - France	31-Dec.	Real estate	12	-
SCI Vastgoed General Leclerc P03303	100,00%	Paris - France	31-Dec.	Real estate	10	-
SCI Vastgoed Nancy P03304	100,00%	Paris - France	31-Dec.	Real estate	9	-
Invercarpro, S.A.	100,00%	Madrid - Spain	31-Jan.	Real estate	17	-
Robustae S.G.P.S. Unip. Lda.	100,00%	Lisbon - Portugal	31-Jan.	Retail sales	34	6
Lefties España, S,A,	100,00%	A Coruña - Spain	31-Jan.	Real estate	5	1
Born, S.A.	100,00%	Palma de Mallorca - Spain	31-Jan.	Real estate	1	-
LFT RUS Ltd	100,00%	Moscow- Russia	31-Dec.	Retail sales	1	-
Robustae Mexico, S.A DE C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	11	-
Inditex Cogeneración, A.I.E.	100,00%	A Coruña - Spain	31-Jan.	Combined heat and power	2	1
Inditex, S.A.	100,00%	A Coruña - Spain	31-Jan.	Dormant	-	-
Zara Holding II, B.V	100,00%	Amsterdam - Netherlands	31-Jan.	Holding company	564	-
Zara, S.A.	100,00%	A Coruña - Spain	31-Jan.	Dormant	-	-
Zara, S.A.	100,00%	Buenos Aires - Argentina	31-Jan.	Dormant	-	-
Fashion Logistic Forwarders, S.A.	100,00%	A Coruña - Spain	31-Jan.	Logistics	5	-
ITX Asia Pacific Enterprise Management, Co., Ltd	100,00%	Shanghai - China	31-Dec.	Buyer	75	-
FSF New York, LLC	100,00%	New York - US	31-Jan.	Real estate	297	-
FSF Soho, LLC	100,00%	New York - US	31-Jan.	Real estate	317	-
ITX USA, LLC	100,00%	New York - US	31-Jan.	Retail sales	8	-
Fashion Retail España, S.A.	100,00%	A Coruña - Spain	31-Jan.	Retail sales	98	-
ITXR Macedonaia Dooel Skopje	100,00%	Skopje-Macedonia	31-Dec.	Retail sales	8	-
ITX E-commerce (Shanghai) Co. Ltd	100,00%	Shanghai - China	31-Dec.	Retail sales	14	-
ITX Financien II, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Financial services	1.282	-
ITX Canada, Inc.	100,00%	Montreal - Canada	31-Jan.	Retail sales	4	-
ITX Mexico XXI, S.A. DE C.V.	100,00%	Mexico City - Mexico	31-Dec.	Retail sales	1	-
ITX Korea LIMITED	100,00%	Seoul - South Korea	31-Jan.	Retail sales	5	-
ITX Services India Private Ltd	100,00%	Gurgaon-India	31-Mar.	Buyer	2	-
ITX Turkey Perakende Magazacilik Ve Ticaret LIMITED SIRKETI	100,00%	Istanbul - Turkey	31-Jan.	Retail sales	-	-
Inditex France, S.A.R.L.	100,00%	Paris - France	31-Jan.	Dormant	-	-
Zara Home Österreich Clothing GMBH	100,00%	Vienna - Austria	31-Jan.	Retail sales	1	-
Massimo Dutti Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	-	-
Pull & Bear, Luxembourg S.A.	100,00%	Luxembourg - Luxembourg	31-Jan.	Retail sales	1	-
Zara Vittorio 13 Italia, S.R.L.	100,00%	Milan - Italy	31-Jan.	Real estate	24	-
CDC Trading (Shangai) Co. LTD.	100,00%	Shanghai - China	31-Dec.	Buyer	2	-
Oysho Sverige, AB	100,00%	Stockholm - Sweden	31-Jan.	Retail sales	-	-
Oysho Slovakia S.R.O	100,00%	Bratislava - Slovakia	31-Jan.	Retail sales	-	-
Zara Home Retail South Africa (PTY) LTD.	100,00%	Johannesburg - South Africa	31-Jan.	Retail sales	1	-
FGI Gestión Mex, S.A. de C.V.	100,00%	Mexico City - Mexico	31-Dec.	Construction	2	-
ITX Merken, B.V.	100,00%	Amsterdam - Netherlands	31-Jan.	Services	5.824	-

Annex I

List of Company investments in jointly controlled entities at 31 January 2017

Company	Effective % of ownership	Location	Reporting date	Line of business	Millions of euros: Shareholders' equity	Millions of euros: Net Investment
Tempe, S.A	50,00%	Alicante - Spain	31-Jan.	Marketing of footwear	350	30
Tempe México, S.A de C.V.	50,00%	Mexico City - Mexico	31-Dec.	Marketing of footwear	4	-
Tempe Logística, S.A	50,00%	Alicante - Spain	31-Jan.	Logistics	-	-
Tempe Brasil, Ltda	50,00%	Sao Paulo - Brazil	31-Dec.	Marketing of footwear	13	-
Tempe Diseño, S.L	50,00%	Alicante - Spain	31-Jan.	Design	35	-
Tempe Trading	50,00%	Fribourg - Switzerland	31-Dec.	Marketing of footwear	18	-
Tempre Trading Asia Limited	50,00%	Hong Kong SAR	31-Jan.	Marketing of footwear	69	-
TMP Trading (Shanghai) Co Ltd	50,00%	Shanghai - China	31-Dec.	Marketing of footwear	8	-

Annex II

Direct and indirect investments of the members of the Board of Directors in the share capital of the Company at 31 January 2018-

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

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

(2) Represented by Flora Pérez Marcote

Direct and indirect investments of the members of the Board of Directors in the share capital of the Company at 31 January 2017-

Name or Company Name of Director	Number of directly-held shares	Number of indirectly-held shares	Percentage of share capital
Pablo Isla Álvarez de Tejera	1,866,227	-	0.0598%
Amancio Ortega Gaona	-	1,848,000,315 (*)	59.294%
José Arnau Sierra	30,000	-	0.001%
Pontegadea Inversiones, S.L.	1,558,637,990	-	50.010%
José Luis Durán Schulz	1,700	-	-
Rodrigo Echenique Gordillo	-	-	-
Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	-	0.005%
Emilio Saracho Rodríguez de Torres	-	-	-
			59.359%

(*) Through Pontegadea Inversiones, S.L. and Partler 2006, S.L.

This Appendix is an integral part of Note 11 to the financial statements and should be read in conjunction therewith.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Industria de Diseño Textil, S.A.

Directors' Report
for the year ended 31 January 2018

COMPANY SITUATION AND BUSINESS PERFORMANCE

Industria de Diseño Textil, S.A. (INDITEX) is the Parent of the INDITEX Group. Its functions within the Group consist of the provision of corporate central services, the receipt of dividends from its investees, and the performance of central activities of the Zara concept, such as the purchase and supply of clothing and accessories and their distribution and sale to the companies responsible for the retail sale thereof.

The Directors expect that in 2018 the Company will continue to carry on the same activities as hitherto.

The business performance is closely related to the Group's growth and very particularly to the evolution of the Zara concept. A detailed analysis of the trend in the Group's business and the outlook for 2018 are included in the consolidated Directors' Report.

FINANCIAL RISK MANAGEMENT POLICY

The Company's activities are exposed to various financial risks: market risk (including foreign currency risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's risk management focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the Company's returns, for which purpose it uses certain financial instruments described below.

Foreign currency risk

The Company operates in an international environment and, therefore, is exposed to foreign currency risk on the transactions performed by it in foreign currencies, in particular the US dollar. The foreign currency risk arises from future commercial transactions and from assets and liabilities recognized in currencies other than the euro.

The Company uses currency forwards to hedge the foreign currency risk. The Company manages the net position in each foreign currency by using external currency forwards or other financial instruments.

Credit risk

The Company does not have significant concentrations of credit risk as it has policies in place to secure its sales to franchises.

Liquidity and interest rate risk

The Company 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 Company has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments.

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing interest at a floating rate. The Company's exposure to this risk is not significant.

Capital management

The Company'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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In the opening weeks of 2018 the Company continued to conduct its business activities normally. No significant events occurred between 31 January 2018 and the date of authorisation for issue of the annual accounts.

RESEARCH AND DEVELOPMENT ACTIVITIES

INDITEX does not habitually carry out research and development projects, which are defined as projects in which amounts are invested over several years in order to develop assets that are expected to generate a return over multi-year periods.

Since its inception, the conduct of the Company's operations has been underpinned by the application of the technology available in all areas of its activity in order to improve manufacturing and distribution processes, and by developing, either in-house or with the aid of third parties, tools to facilitate the management of the business. Some examples of this are point-of-sale terminals, inventory management systems, distribution centre delivery systems, systems for communication with stores and in-store garment labelling systems.

TREASURY SHARES

The Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Share-Based Incentive Plan and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan.

At 31 January 2018, the Company had 2,950,143 treasury shares representing 0.095 % of the share capital.

FINANCIAL INSTRUMENTS

The Company arranges derivatives, mainly currency derivatives. The derivatives most frequently used by it are forward and option contracts.

OTHER DISCLOSURES

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

ANNUAL CORPORATE GOVERNANCE REPORT

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

NON-FINANCIAL AND DIVERSITY INFORMATION

The Non-Financial and Diversity Information of the Inditex Group is included as an annex to this Directors’ Report, of which it is an integral part. It is also included as Annex IV to the consolidated Directors’ Report that accompanies the Inditex Group's Consolidated Annual Accounts.

Annex

NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY

INDITEX GROUP

TABLE OF CONTENTS

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

I. Inditex: Integrated and Sustainable Business Model

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

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

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

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

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

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

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

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

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

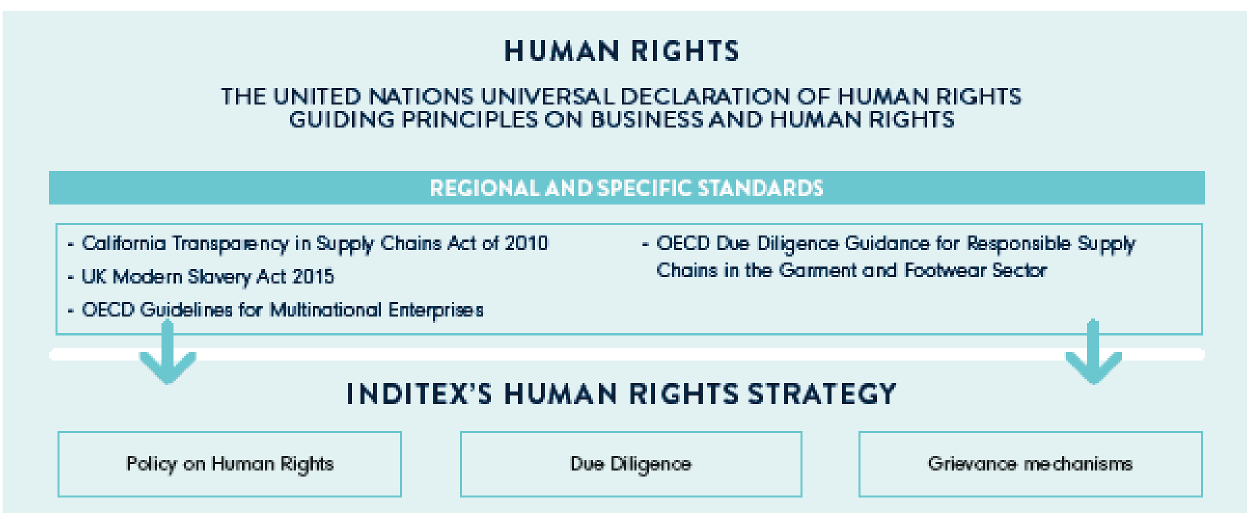
The people who make up the Company allow a sustained and sustainable development of this model, a diverse human group, made up of 97 nationalities, defined by its creative talent, passion for fashion, for teamwork, entrepreneurial spirit, permanent innovation and responsible effort.

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

Human Rights Strategy of the Inditex Group

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

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



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

a) Policy on Human Rights

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

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

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

b) Due diligence

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

c) Grievance mechanisms

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

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

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

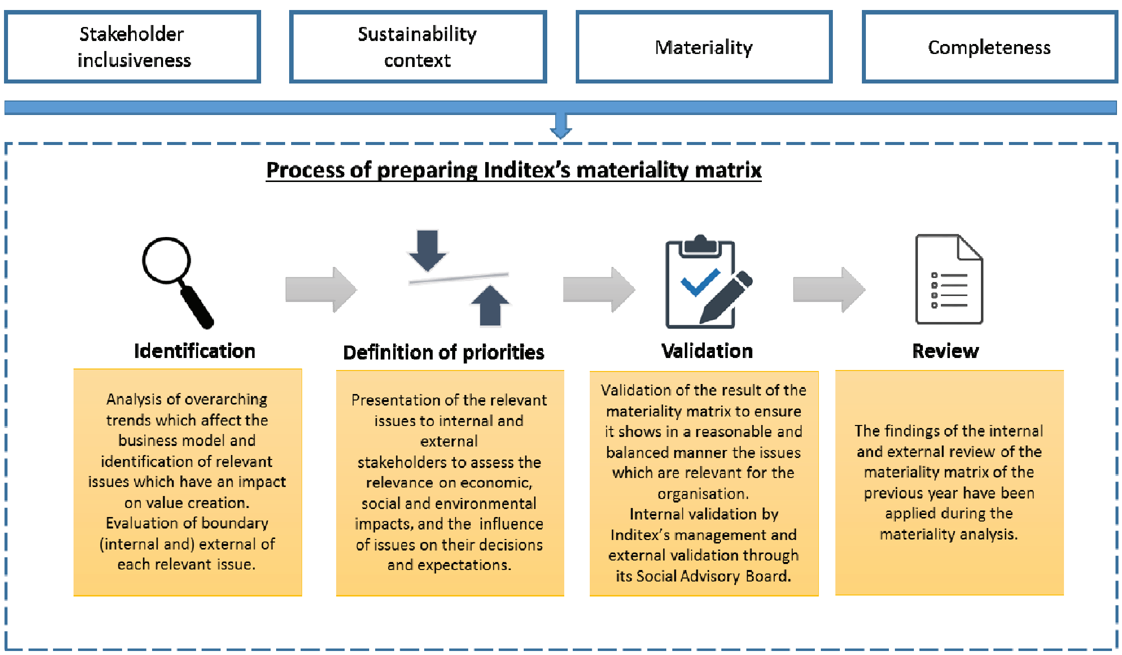
II. Materiality

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

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

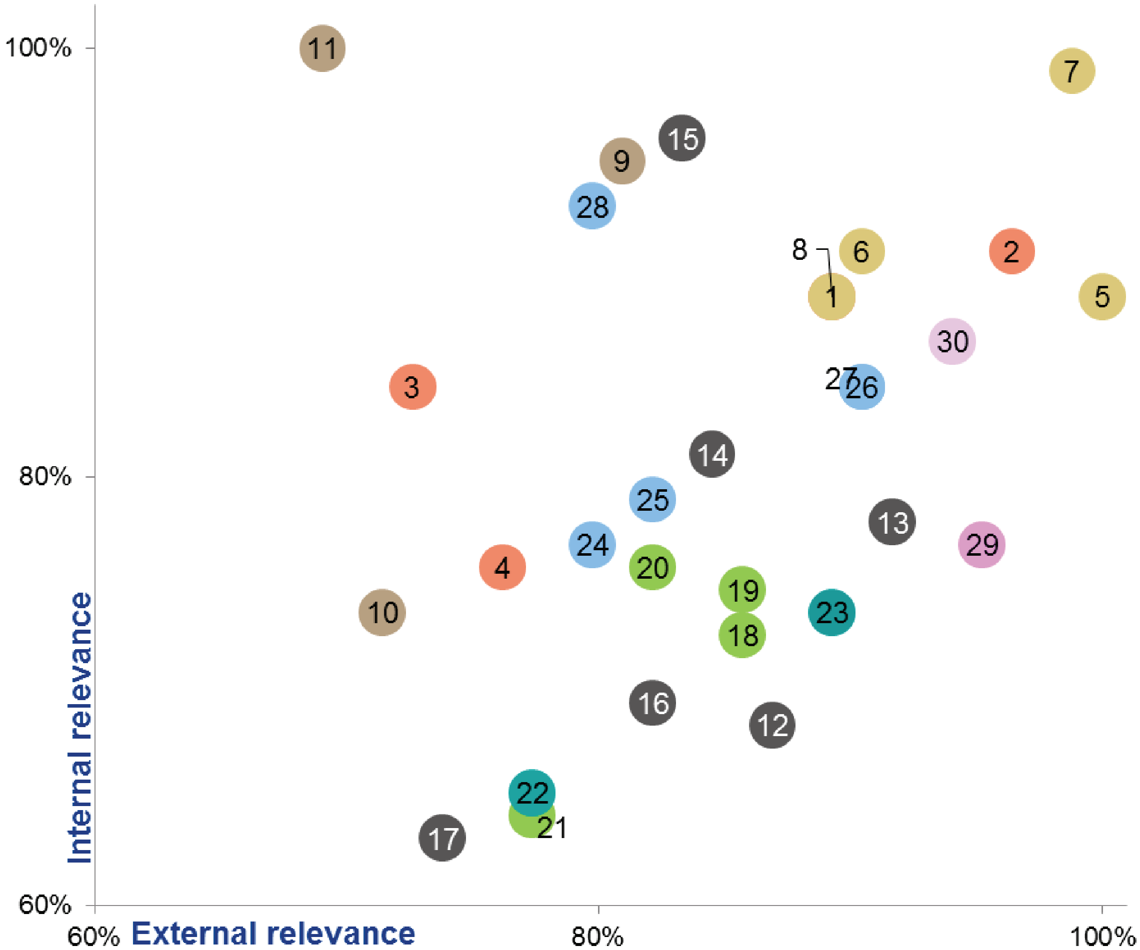
To carry out the process to identify priority issues and questions, as well as their scope, the recommendations of the "Global Reporting Initiative· (hereinafter, "GRI") standards and the Integrated Report framework have been followed. In fact, materiality is one of GRI's Reporting Principles. According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

GRI Reporting principles



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

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



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

Inditex priorities

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

III. Priorities

III.1 Our People

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

Diversity and inclusion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Talent management: talent attraction

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

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

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

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

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

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

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

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

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

Talent management: career development

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

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

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

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

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

Talent management: training

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

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

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

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

Inditex's main training projects area summarised below:

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

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

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

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

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

Talent management: commitment to people

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

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

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

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

Pay

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

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

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

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

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

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

Occupational Health and Safety

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

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

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

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

- At own stores: 145;

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

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

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

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

At own stores (Spain):

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

*Related to 87% of the employees

At logistics centers (Spain):

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

*Related to 72% of the employees

At own factories (Spain):

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

At Headquarters (Spain)

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

* Related to 97% of the employees

Industrial relations

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

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

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

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

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

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

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

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

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

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

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

III.2 Sustainable Management of the Supply Chain

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

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

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

Code of Conduct for Manufacturers and Suppliers of the Inditex Group

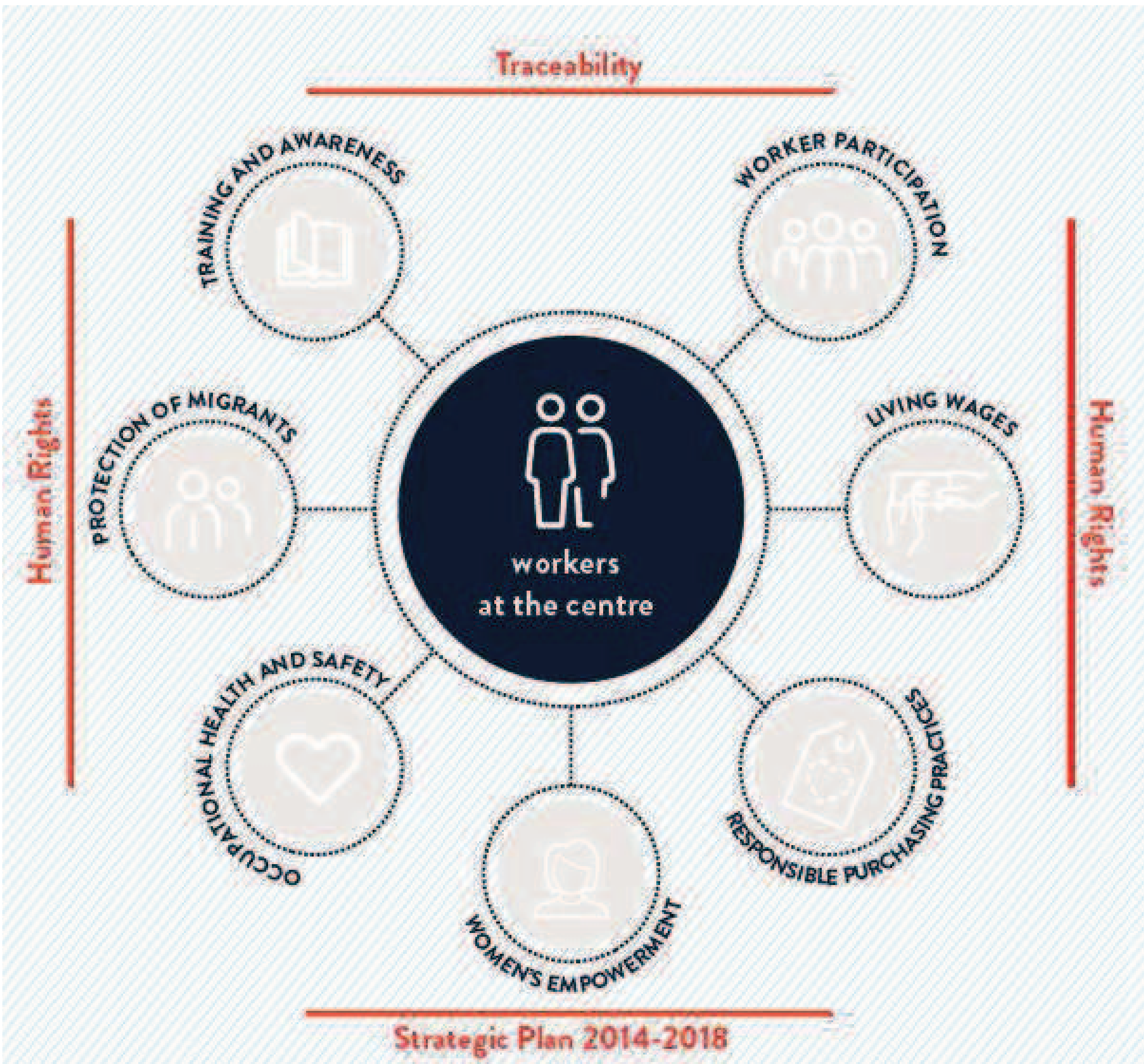
The Code of Conduct for Manufacturers and Suppliers of the Inditex Group (hereinafter also referred to as the "Code") was approved by the Board of Directors in 2001 and amended in 2012. It is binding for all the manufacturers and suppliers involved in purchases, manufacture and product finish processes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

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

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

Workers at the center

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III.3 Commitment and Excellence of Our Products

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

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

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

Clear to Wear

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

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

Safe to Wear

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

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

Detailed information on both standards is available on Inditex website.

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

The List by Inditex

The List by Inditex is a pioneering global programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used in the manufacturing of items, conformance to Clear to Wear, Inditex product health standard, and the assumption of Inditex commitment to the Zero Discharge of Hazardous Chemicals by 2020.

The List by Inditex includes a register of chemical products available in the market and used in the manufacturing processes of textile and leather items, classifying them in accordance with their degree of conformance to *Clear to Wear*, and regulating their use and control.

19,780 chemical products were classified in the third edition of *The List by Inditex* completed in March 2017.

The methodology used to supervise and monitor the chemical products recorded in *The List by Inditex* includes analysis, audits of factories where such substances are produced and a strict supervision of the product health policies of the different companies. .

Additionally, through this collaboration with the chemical industry, work is also done to perfect the existing production processes, as this has an impact on improving chemical products. Where such perfecting is not possible, work is done in R+D programmes, in order to achieve new alternative chemical products.

Ready to Manufacture

"Ready to Manufacture" (hereinafter, "RtM") is a code that provides best practices in manufacturing of textile and leather items at facilities where wet processes are carried out (dyeing, washing, printing and tanneries). It applies to all direct suppliers of Inditex, and seeks to ensure conformance to the Clear to Wear standard, and a commitment to achieve Inditex commitment to the Zero Discharge of Hazardous Chemicals by 2020.

RtM provides the correct selection of chemical products and manufacturing conditions. Therefore, *The list by Inditex* is a tool linked to RtM.

To ensure conformance thereto, a programme to supervise and monitor production is applied. Under such programme, strict analysis of products and processes identified as entailing a risk, are established.

1,735 RtM audits were conducted in 2017.

Picking: production control and analysis

Picking Programme is an inspection and analysis instrument designed by Inditex and adapted to its production and logisticsmodel. Its objective is to ensure that all items that the Company sells comply with its product health and safety standards.

Initially, during the design of the product stage, the potential risk of each item is reviewed. During manufacturing process, representative samples are taken to be analysed and tested at duly accredited external laboratories. Following a detailed evaluation of these samples, the product is approved, rejected, or is subject to the relevant changes so that it complies with Inditex standards.

During financial year 2017 59,687 inspection visits within the P*icking* programme were carried out, and 756,265 analysis and tests were completed.

The laboratories, distributed throughout the principal manufacturing geographical clusters, are the key actors for Picking and, for this reason, work in a standardised manner. Optimised analytical methods are used, with strict monitoring of quality

9,181 correlation samples were analysed in financial year 2017.

Inditex has developed, together with chemists and mathematicians of University of Santiago, certain tools that help detect such manufacturing technologies which entail some risks. This joint work has allowed to break down manufacturing risks based upon the components of the garments. Thanks to this continuous improvement, compliance with Inditex standards by a larger number of references through a lesser number of analysis can be verified, without jeopardising health, safety and environmental sustainability of its business model.

Root Cause Analysis

If an item does not comply with health and safety requirements, such production is automatically rejected by Inditex. Additionally, the Company would carry out Root Cause Analysis (RCA)

In this type of analysis, experts from the textile and/or leather sector visit the facilities (dye, wash, print and tannery) involved in manufacturing of the item affected in order to determine the origin of the incident. Finally, a Corrective Action Plan is provided for the facility in order to avoid the repetition of the incident in the future

108 RCA audits were carried out during financial year 2017.

The main causes of the RCA during financial year 2017 have been: the use of chemical products not included in *The List by Inditex* without the appropriate prior controls (90%); manufacturing conditions that may lead to cross contamination or contaminations from one production to another (4%).

Both the potential incidences detected through the RCA, as the solutions given to the facilities are used as c feedback in the manufacturing intervention programmes: Ready to Manufacture and The List by Inditex, which ensures constant improvement of the same

OUR PROGRAMMES IN THE MANUFACTURING OF A GARMENT

Facilities used in the manufacturing of a garment	SPINNING	WEAVING	DYEING	PRINTING	WASHING/ FINISHES	TAILORING
Application of our programmes	*The List*	*The List*	*The List* *Ready to Manufacture*	*The List* *Ready to Manufacture*	*The List* *Ready to Manufacture*	*The List* *Picking*

Training and awareness raising

During financial year 2017, Inditex has continued imparting training and raising awareness regarding product health and safety.

In partnership with scientific and technological institutions and companies, Inditex has implemented training support programmes covering specific and relevant issues of its product health and safety standards, *Clear to Wear* and *Safe to Wear*, with the attendance of technical staff and executives from its suppliers.

More particularly handbooks on best practices have been designed for suppliers, as well as guides to identify risk in dyes for textile and leather products and procedures for colour fastness improvement when subjected to wet rubbing processes

Such handbooks are the result of technological innovation proceedings aimed at solving specific quality problems and they have been implemented together with companies mainly of the dye, print and chemical products sector. Procedures developed provided technological alternatives to the methods so far used and they present important competitive advantages which facilitate producing higher quality goods, with the result that garments manufactured fully comply with the Clear to Wear *and Safe to Wear* standards.

During 2017, health and safety of the product experts of Inditex's Sustainability team carried out training and technical advice sessions at the main manufacturing clusters of the Company: Portugal, Morocco, Turkey, Bangladesh, India and Pakistan.

Finally, in order to raise awareness among internal design and buyers' teams, Inditex has established units of experts on health and safety of the product at all its formats for the purposes of:

− Continuously training the design and buyers' teams of each format on all issues related to health and safety of the product;
− Providing technical assistance in *situ* to the design and buyers' teams;
− Reducing the time required to detect any potential noncompliance event and provide specific solutions or technical assistance that fits each type of products; and
− Decentralising the process to manage analysis and tests that determine compliance with the standards to improve the effectiveness of the supervising system of the *Clear to Wear* and *Safe to Wear standards.*

Likewise, in 2017 health and safety of the product experts have implemented awareness-raising activities addressed to internal design and buyers' teams.

III.4 Circularity and Efficient Use of Resources

Inditex's environmental commitment

Inditex's environmental strategy is provided in the Policy for Environmental Sustainability, available on the Company's website. Such Policy covers the environmental commitments, which cut across all its business areas and throughout its entire supply chain.

The three environmental strategies which aim to ensure the highest possible protection of the environmental resources result from such Policy:

• Global Water Management Strategy;
• Global Energy Strategy; and
• Biodiversity Strategy

Additionally, Inditex is committed to protecting forest products, as specifically addressed in the Forest Product Policy

2016-2020 Environmental Strategic Plan

The 2016-2020 Environmental Strategic Plan has been in place during the year. Such Plan aims to ensure the achievement of the following environmental goals by 2020:
• Maintaining the ZDHC: *Zero Discharge of Hazardous Chemicals* commitment within the supply chain;
• Reaching the *Zero Waste to Landfill* objective by 2020, regarding the generation of waste at headquarters, logistics centers, own stores and own factories;
• All own stores comply with the requirements of the Eco-efficient Store standard, including new openings and refurbished stores;

• Increasing the manufacture of more sustainable products, by using the most sustainable fibers or of the best production techniques available, with the lowest environmental impact; and
• Reducing the emissions arising from the value chain.

More Sustainable Raw Materials

During financial year 2017, Inditex has continued working under *Join Life*, its environmental sustainability standard. Inditex selects the best practices in the field of environmental sustainability to share them through a special labeling system. In this way, Inditex stresses and promotes the best technologies and the use of the most sustainable raw materials, such as organic cotton, TENCEL®Lyocell, REFIBRATM Lyocell and recycled polyester, polyamide, cotton and wool. Additionally, new raw materials have been added during the year, such as European line and more sustainable viscose.

Inditex has offered to the market in 2017 a total number of 73,635,702 garments manufactured with raw materials that comply with *Join Life* standards. Out of them, 58,734,333 garments have been produced from organic cotton, up 38% from the previous year. As a result of this strong effort, Textile Exchange, an independent organisation, has ranked Inditex as the 5th company on a global scale in consumption of organic cotton by volume[6]. In 2017, Inditex has remained the world leader of its sector in consumption of sustainable fiber Lyocell[6] according to the above referred organisation, which has also ranked Inditex second in the world in terms of consumption of other cellulose fibers of a sustainable origin. With regard to the ranking of consumption of recycled fibers, Inditex has been ranked the fifth company that most increased demand of recycled polyester[6] and the sixth company with the higher volume of consumption of recycled cotton[6].

Likewise, Inditex continues supporting projects in cotton farms which have joined the Better Cotton Initiative. Additionally, Inditex is a founding member of the Investment Committee of the Organic Cotton Accelerator, (OCA), a multisectorial initiative created to promote the organic cotton sector, benefiting all players, from the farmer to the consumer. In 2017, Inditex has launched a project to directly collaborate with farmers to promote the production of organic cotton.

With regard to man-made cellulose fibers (MMCF), progress has been made towards achieving the objective established in Inditex Forest Product Policy, that seeks to ensure that man-made fibers used in garments do not originate in unprotected forests. To achieve this, the Company closely works with Canopy Planet organisation in the CanopyStyle initiative, to protect primary forests with a high conservation value. During the year, further to agreements reached with certain suppliers, Inditex has achieved that the traceability and sustainability of their forest products be ensured, by means of external verification.

Production

During financial year 2017, Inditex has continued making efforts to ensure that its supply chain meets the requirements of its own standard *Green to Wear*, aligned with the commitment to Zero Discharge of Hazardous Chemicals. The Company supports the suppliers so that they can achieve a sustainable environmental performance in terms of water, and improve energy efficiency and waste management. Progress made regarding this initiative are public, and are available on the www.wateractionplan.com website.

[6] Source: Organic Cotton Market Report 2017, Textile Exchange.

From the inception of the Green to Wear programme, Inditex has carried out 1,075 at the facilities where wet processes are carried out within its supply chain.

As a result of its commitment to transparency, Inditex has updated in July 2017 its list of factories where wet processes are carried out and which are part of its supply chain.

Inditex also works with the Chinese Institute of Public and Environmental Affairs (hereinafter, "IPE"), to improve the environmental management of its supply chain, and collaborates with its suppliers in disclosing the results of wastewater analysis on the Institute's website. In 2017, Inditex has assisted the IPE to prepare a map that monitors pollution produced by textile companies in China.

On the other hand, Inditex supports the transparency initiative of Zero Discharge of Hazardous Chemicals organisation (hereinafter, "ZDHC"). Likewise, as part of this support, Inditex collaborates with its suppliers in disclosing the results of wastewater analysis further to the *Green to Wear* audits, through *Gateway*, a portal designed by ZDHC specifically for such purpose.

In addition to its commitments to Zero Discharge and Transparency, referred to above, Inditex has in place a PFCs Free Policy, mandatory for all the suppliers of the Company, which requires that its garments are free from perfluorocarbons (PFCs).

Further to compliance with all such commitments, Inditex is the global leader in the *Detox Catwalk 2016*. ranking. This is an evaluation carried out by Greenpeace that reviews compliance by textile brands with the commitments set out in the 2020 Detox Plan, their transparency and the exclusion of perfluorocarbons in their products.

Logistics and Distribution

To ensure that all Inditex's logistics centers are efficient and sustainable, all of them have an ISO 14001 certified environmental management system. Additionally, Inditex has 6 headquarters and logistics centers which have been LEED Gold certified, while its Technological Center has been LEED Platinum certified, and Tempe's logistics center has been *Bream* certified.

In 2017, Inditex has continued implementing the Efficiency Plan at own stores, headquarters (including formats), logisticscenters and own stores worldwide, where old installations are replaced, in an effort to rely on more efficient technologies, such as LED lighting or the use of last generation batteries. Further to such measures, electricity consumption per garment[7] has been reduced by 9% versus the previous year.

Likewise, in Spain, Inditex bet for renewable energies is still strong, through the generation at different renewable facilities at its logistics centers, which is reinforced by trigeneration and cogeneration plants and the purchase of electric energy of certified renewable origin. Thanks to all such sources, Inditex's sustainable consumption in 2017 has reached 790,361 MWh, meeting 44% of its energy needs.

With regard to transport, the Company promotes efficiency of routes and optimization of cargo. In 2017, Inditex has commenced using a fleet of trucks with higher capacity, which allows increasing up to 50% the volume of regular trucks, thus reducing CO_2 emissions.

[7] Included in ratios by garments = (absolute value of the year / number of garments put on the market in the year) x 1000 are those units put on the market through all the stores, whether own or franchised

Inditex continues implementing the *Green to Pack* programme, which aims at optimizing its packaging. Under this programme, the volume of resources used is reduced, and thus, the negative impact thereof on the environment. One of the specific measures implemented under the *Green to Pack* programme consists of reducing weight and grammage or increasing the amount of recycled product for containers and packaging.

Circular systems are also adopted, which allow reusing hangers, alarm tags, boxes and other packaging. In the scope of e-commerce, Zara has launched a project to manufacture boxes for its online orders based upon own boxes made of recycled materials.

Eco-efficient stores

In 2017, Inditex has continued opening and refurbishing its own stores according to the Eco-efficient Store Manual, for the purposes of achieving the goal that by 2020, 100% of its stores comply with the requirements set out in such Manual. At year-end, 5,068 stores meet such criteria, which represents 78.9% of the total number of stores of the Group. In comparison to a conventional store, eco-efficient ones reduce electricity consumption by up to 20%, whereas in terms of water consumption, such saving reaches 40%. Additionally, thanks to the installation of last generation HVAC equipment, the average electricity consumption stands at 40%, which also allows cutting the associated emissions.

To ensure an appropriate energy management, Inditex relies on a centralised efficiency platform that connects and monitors HVAC and electricity installations of eco-efficient stores. In 2017, an aggregate number of 2,981 own stores have connected to the efficiency platform, which allows controlling and optimizing the management of HVAC and electricity installations.

At year-end, the Group has 27 own stores which have been certified under the sustainable construction standard LEED: 7 of them have been LEED Platinum certified and the remaining 20 Gold LEED certified, 4 of the latter in 2017 (the Zara Castellana 79 store in Madrid and Zara Calle Compostela in A Coruña, and the refurbished stores Zara Opera in Paris and Oysho Galleria Colonna in Rome).

Energy consumption and Greenhouse Gas Emissions

Inditex implements efficient energy management and saving measures at all its facilities for the purposes of improving energy efficiency and promoting a low-carbon economy.

During financial year 2017, global energy consumption of all its own factories, headquarters (included those of the formats), logistics centers and all own stores worldwide has amounted to 1,895,244 MWh[8]. Thanks to all the measures implemented to promote energy saving, Inditex has reduced consumption per garment[7] by 9% and regarding sales[9] by 11% as compared to the previous year.

Inditex has increased since 2016 the purchase of energy of certify renewable origin to reduce the impact of its electricity consumption and the emissions arising thereof. In 2017 the Group has reached a total of

[8] To calculate the electricity and natural gas consumption of logistics centers, headquarters and own factories, consumption at January 2018 have been estimated, as details are not available at the time of this report
[9] Included in the sales ratios ((absolute value of the year/€) x 1000) are sales made at all the stores, both own and franchised

752,643[10] MWh in its buildings in Spain Germany, Austria, Brazil, Poland, Switzerland and Portugal, preventing the emission of upwards of 262,550 t[11] of Greenhouse Gas Emissions (hereinafter, “GHG”).

All such actions taken to promote energy efficiency together with the materialization of Inditex commitment to renewable energies, has allowed reducing GHG emissions associated to its business. In 2017, direct scope 1 emissions have been 18,550 t CO_2eq[12] and indirect scope 2 emissions have stood at 466,488 t CO_2eq[13].

Altogether, Inditex has relative scope 1 and scope 1 emissions, achieving 312.90 g CO_2eq per garment[7] and 18.02 g CO_2eq per sales[10] (€). As compared to financial year 2016, Inditex has achieved a 23% and 25% reduction, respectively.

Zero Waste to Landfill

Inditex has set as one of its goal that by 2020, no waste arising from its activities ends in a landfill. All waste produced by Inditex is collected and managed by legally authorised managers. Inditex works towards achieving that its waste is increasingly managed to be recycled (mainly paper and cardboard, wood, plastic, metal and textile remnants) or subject to other appropriate treatments allowing their recovery and their appropriate environmental management.

Closing the Loop Programme

Inditex has developed its own project to collect used garments, footwear and accessories to give a second life to the garments and promote closing the life cycle of the textile products. At the same time, this promotes social employment and collaboration with social entities and the third sector in our community.

Appropriate containers have been installed at all logistics centers and headquarters (including those of the formats) of the Group. Likewise, containers for used items are currently present in 598 Zara stores, and the programme has been completed in Spain, Portugal, United Kingdom, Ireland, the Netherlands, Sweden, Denmark, and China. Pilot tests are under way in Austria, Lebanon, Canada, and Japan. Likewise, in partnership with Cáritas, certain containers have also been made available to citizens in different streets so that they can donate the garments they no longer use. Thanks to this project, upwards of 12,228 tons of products were collected during financial year 2017.

Inditex collaborates with a number of projects, including the MIT’s MISTI programme, with different Spanish universities and with the company Lenzing, to make progress in textile recycling processes and technologies that contribute to the circular economy. Likewise, Zara has launched a service to collect at the customers’ home, free of charge, used garments, related to its e-commerce sales in Spain.

Training

[10] With regard to Spain, Austria and Switzerland, data refer to the calendar year, instead of the financial year (this latter being the period established in this Report). In Spain, Portugal and Poland, no consumption data for certain months are available, and therefore, estimates have been carried out.

[11] Emission factors applied to the energy mix of each country are taken from the *GHG Protocol Tool for Stationary Combustion*, version 4.1 of the *World Resources Institute*, 2015

[12] Emission factors applied to natural gas and diesel are taken from the *GHG Protocol Tool for Stationary Combustion*, version 4.1 of the *World Resources Institute*, 2015

[13] Emission factors applied are those corresponding to the energy mix of each market where Inditex is present

During the year, the development of contents and methodologies for environmental training has continued. Specific contents have been prepared based upon the needs of each group. One of the most relevant training proceedings has taken place regarding the most sustainable raw materials. Such training has been addressed to buyers' teams. Since 2014, a total number of 7,695 employees have received training on environmental issues.

Environmental Commitment with China

Progress has continued in 2017, regarding one of Inditex's main regional programmes covered in the 2016-2020 Environmental Strategic Plan. In the past year, progress has continued towards achieving the goal that 100% of stores in China become eco-efficient in 2018, two years before the global goal referred to above.

During financial year 2017, the use of system that standardises separation of waste at Inditex centers in China has begun, for the purposes of recovering materials and reusing them as new raw materials.

III.5 Customer Service Excellence

Inditex maintains a constant dialogue with its customers, who can communicate and interact with each of the Group's formats through different channels and keep updated on any new commercial development. In 2017, the formats of the Inditex Group had more than 121,300,000 followers in the different social media. Facebook and Instagram of each brand (with upwards of 58,400,000 and 42,500,000 followers, respectively), are the ones with the largest number of users. In addition to social media, more than 20,900,000 phone calls from clients were attended to by the customer service area of each format. Such calls concerned a large number of topics including, without limitation, queries regarding goods, shipments, potential incidences or current affairs of the formats. The average grade achieved by the service was 8.7/10.

Inditex works to ensure access to its premises. In this respect, the stores of the Group comply with such architectonic standards that allow disabled people access and circulation inside the premises, while at the same time ensuring a satisfactory shopping experience for its customers.

Access to the corporate websites is also a significant issue. Thus, in order to improve access to the Zara website, and remove barriers for disabled users, Zara has been working since 2015 with the company Ilunión Tecnología y Accesibilidad, in order to provide an inclusive shopping experience for all its disabled customers, both existing and potential. Through this collaboration, all processes and functionalities of the Zara online store have been largely improved, including the search and selection of garments, the purchase process or the channels through which users can contact the company. At the same time, all the websites of the Inditex Group comply with the Accessibility Guidelines or General Standards of Accessible Design established by Web Accessibility Initiative (WAI) Working Group, a part of W3C.

III.6 Contribution to Community welfare

Inditex's investment in the community model encompasses such activities which fit he company's commitment to contributing to the social development of communities with needs to be met, especially in those geographical areas where Inditex carries out its business, and which fulfil all the requirements outlined below:

- The contribution is voluntary: the company has no legal or contractual obligation whatsoever when it comes to making the contribution.
- Contributions shall be for non-profit and/or target a social and/or environmental benefit: supporting any initiative aimed at social and/or environmental well-being. Support to any non-profit organization is included. However, contributions to schools, universities or administrations can also be included, despite the fact that they not meet the requirement of not being non-profit organisations but their purpose is contributing to social well-being. .
- Beneficiaries shall not be restricted: contributions shall be open to all potential beneficiaries, without prior classifications, which may be discriminatory or beneficial to them on account of their belonging to or being related to companies in their capacity of customers, offspring of employees or any other similar circumstance. This does not mean that the activity in question may not be restricted to a limited group of specific individuals (ranged per age, training or other description), but instead, that it cannot be restricted on account of the relationship of such group with the company in question itself.

In this respect, Inditex understands investment in social programmes as an opportunity to contribute to the development of society by applying its business resources – both in cash and in kind, and in terms of time allocated by its staff.

Inditex's strategy regarding investment in the community is addressed in the Corporate Citizenship Policy, which is available on the Company's website.

Inditex's investment in the community materializes in collaborating with specific projects. Inditex prioritizes long-term strategic projects for specific activities, together with the community, always subject to a thorough monitoring and accountability process, rather than in occasional contributions for the general purposes of non-profit organisations

Each social initiative which is part of Inditex's programme of investment in the community is submitted by Inditex to a thorough process to measure contributions, achievements and impacts. For such purposes, Inditex uses, among others, the LBG methodology, based upon the following management grounds:

- Careful assignment of contributions in the community;
- Measuring achievements obtained; and
- Evaluating the impact of the components of the project separately, in order to assess, on the one hand the origin of profit, and on the other the programme as a whole.

In 2017, Inditex has gained deeper knowledge regarding the link between its model of investment in the community and the United Nations Sustainable Development Goals. This commitment is embodied in specific projects, in partnership with non-profit organisations, which target the following action lines:

- Education: understanding as such proceedings focused on providing opportunities through quality education which gives young people the opportunity of a decent life and encourages social justice and their personal growth.

- Social welfare: understanding as such all initiatives which encourage employment and entrepreneurship of vulnerable groups, encouraging labour integration of people at risk of social exclusion

- Emergency Relief: understanding as such all relief actions focusing on protecting life, health and wellness of people in emergency situations on account of natural disaster or similar circumstances.

The following examples of these three lines of action during financial year 2017 can be pointed out:

- The launching of new long-term strategic projects for specific activities in the academic field, in partnership with *Beijing Normal University*, *Tsinghua University*, or the University of A Coruña;

- The reinforcement of regular collaboration projects in the field of development cooperation, humanitarian relief and social action, through different organisations, such as Every Mother Counts, Doctors without Borders (MSF), Water.org, Fundación Entreculturas y Cáritas;

- The establishment of extraordinary emergency relief programmes, such as the one set in partnership with the Red Cross, as a result of the earthquake in Mexico;

- The launching of new initiatives that promote the multiplier effect created by contributions from employees for social purposes, such as the Human Resources projects *Teaming* or *Big Idea Project*;

- The increase of contributions in kind (Inditex clothes) to charities;

- The promotion of new strategic initiatives aligned with the business model, such as the *Closing the Loop* Programme to collect used clothes, in partnership with non-profit organisations including without limitation, China Environmental Protection Foundation, Cáritas, or the Red Cross, or the opening of new stores within the *for&from* project, that targets the labour integration of disabled people; or

- The launching of a new programme in partnership with ILO for the purposes of promoting respect of the fundamental principles and rights at work in the cotton sector.

During financial year 2017, Inditex invested €48,129,552 in social programmes, which represents a 20.2% increase versus the previous year (€40,042,744).

With regard to the types of contribution, they can be classified in the following four classes:

- Cash: this is the total amount paid by a company to a charitable organisation or project in the form of donations, social sponsorships, etc.

- Time: this is the proportional cost to the company of employees' time paid by the company but spent on community activities of a social nature.

- In-kind: this includes donations of products – garments, mainly- to charities.

- Management costs: these refer to expenses which are incurred by the company for general management of community projects.

In 2017, the most relevant line item regards contributions in cash, 65% of total. With regard to the previous year, both contributions in cash and in time from employees have increased, as well as those in kind. As for this latter type, in 2017 Inditex has donated an aggregate number of 3,673,993 garments for social causes, which represents a 76% increase compared to the previous year (2,083,980 garments).

Type of contribution	**(€) 2017**	**2017 (%)**	**(€) 2016**	**2016 (%)**	**Variation**	
Cash	31,563,507	65%	27,980,509	70%	12.8%	% management costs included
Time	2,204,859	5%	1,929,797	5%	14.3%	
In kind	13,812,547	29%	9,584,482	24%	44.1%	
Management costs	548,639	1%	547,955	1%	0.1%	
TOTAL	**48,129,552**	**100%**	**40,042,743**	**100%**	**20.2%**	

Likewise, Inditex reports its voluntary contributions to the community, according to the following classification:

- One-off charitable gifts: institutional donations to the general goals of community organisations. Mainly: sponsorship initiatives, and certain one-off contributions in kind for charitable causes.

- Community investment: A long-term strategic commitment in collaboration with the community to support specific social activities. Mainly partnership agreements with non-profit organisations for specific social deeds.

- Commercial initiatives in the community: Initiatives of social interest directly related to the company's retail activity. Mainly, *for&from*, *Salta!* and *Take Back* programmes

In 2017, Inditex has increased the number of contributions classified as community investment and as commercial initiatives in the community; conversely, the number of one-off contributions of the Group has decreased. This is due to Inditex's intent to prioritize strategic social contributions in order to maximize the impact of its investment in the community.

Category	**(€) 2017**	**2017 (%)**	**(€) 2016**	**2016 (%)**	**Variation**	
Charitable gifts	3,263,743	7%	3,395,686	9%	-3.9%	% management costs excluded
Community investment	37,020,064	78%	29,245,004	74%	26.2%	
Commercial initiatives in the community	7,297,107	15%	6,854,099	17%	6.5%	
TOTAL	**47,580,913**	**100%**	**38,494,789**	**100%**	**20.5%**	

With regard to the area of activity: 42% of the Group's investment in the community targets social welfare- namely by promoting employment of vulnerable groups- 22% emergency relief and 16%

education. In 2017, in line with the strategy for social intervention defined in the Corporate Citizenship Policy, upwards of 80% of investment in social programmes has been allocated to reinforcing Inditex's three main strategic pillars in the field of social contribution.

Activity area	**(€) 2017**	**2017 (%)**	
Social welfare	20,180,975	42%	% management costs excluded
Emergency relief	10,687,647	22%	
Education	7,727,769	16%	
Health	3,725,615	8%	
Environment	2,653,158	6%	
Economic development	1,735,233	4%	
Art and culture	870,516	2%	
TOTAL	**47,580,913**	**100%**	

With regard to the territories where social programmes are implemented, Inditex gives priority to regular contributions to the communities made at corporate level in such geographical areas where the Group carries out business, namely at Inditex clusters. Likewise, the Group's subsidiaries carry out social programmes nationally, implementing projects in proximity that maximize the positive impact within their sphere of influence. The investment in social programmes in 2017 broken down per geographical areas is shown below:

Geographical area	**(€) 2017**	**2017 (%)**	
Spain	20,893,381	44%	% management costs excluded
Europe	5,356,042	11%	
Latin America	6,180,815	13%	
Africa	1,215,654	3%	
Asia	8,282,973	17%	
USA and Canada	5,206,730	11%	
Australia	445,318	1%	
TOTAL	**47,580,913**	**100%**	

In 2017, Inditex has continued making progress on linking its model of investment in social programmes with the UN Sustainable Development Goals. Thus, the main Sustainable Development Goal has been identified in respect of each of the 594 social initiatives carried out during the year. As a result, and in line with Indtitex's activity throughout 2017, proceedings regarding investment in the community have centered around Sustainable Development Goals no. 8, 10 and 12. Additionally, Inditex has significantly contributed to Sustainable Development Goals no. 3 and 4. Namely, Inditex has allocated 82% of its investment in social programmes to social initiatives mainly targeted at any of those Sustainable Development Goals.

SDG	(€) 2017	2017 (%)	
8. Decent work and economic growth	9,857,883	21%	% management costs excluded
10. Reduce inequalities	8,630,758	18%	
12. Responsible consumption and production	7,453,651	16%	
3. Good health and well-being	6,778,230	14%	
4. Quality education	6,228,674	13%	
Others	8,631,717	18%	
TOTAL	**47,580,913**	**100%**	

1,584,466 persons have directly benefited from the social programmes implemented throughout financial year 2017, which represents a 45% increase versus the previous year (1,093,401 direct beneficiaries).

Inditex analyses the effects on beneficiaries resulting from social programmes implemented, both in terms of depth and of type of impact.

In terms of the depth of impact, the effects on the beneficiaries of the projects are broken down into the three following categories. The numbers recorded under each of the depth of impact headings are mutually exclusive:

- Connection: number of people reached by activity reports limited change as a result of an initiative.

- Improvement: number of people who can report some substantive improvement in their lives as a result of the project.

- Transformation: number of people who can report an enduring change in their circumstances as a result of the improvements made.

With regard to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories in such a way that the same beneficiary can experience more than one type of impact:

- Behaviour or attitude change: the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has enabled a change in negative attitudes or prejudices, allowing people to make better decisions.

- Skills or personal effectiveness: the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, in the workplace or socially.

- Quality-of-life or well-being: the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical well-being.

Number of direct beneficiaries where results were measured	1,527,237

Depth of impact: number of beneficiaries that:		
Made a connection through the community activity	89,846	6%
Made **an improvement** through the community activity	993,661	65%
Made **a transformation** through the community activity	443,730	29%

Number of direct beneficiaries where results were measured	1,527,237	
Type of impact: number of beneficiaries that:		
Experienced a **positive change in their behaviour** or attitude as a result of the support	604,199	40%
Developed **new skills** or an increase in their personal effectiveness	56,312	4%
Experienced a **positive impact on their quality of life** as a result of the support	1,377,413	90%

III.7 Corruption and bribery

Strategy

In order to reduce exposure to criminal regulatory risks, namely to the risk of perpetrating criminal offences related to corruption, fraud and bribery, Inditex relies, first of all, on a structure of basic standards (high level) and a number of organisational documents which constitute the three main pillars of the Company's cross-cutting Compliance System. Such high level standards are:

- The Code of Conduct and Responsible Practices: it reflects Inditex's corporate culture and sets out the yardsticks for ethical behaviour that must be observed by all the Group's employees in the discharge of their professional duties.

Additionally, the Code includes a number of commitments to ethical conducts and responsible practices, including, as far as this section is concerned: compliance with applicable laws and regulations, and with Inditex's internal regulations; establishing lawful, ethical and respectful relationships with suppliers and public authorities, in line with international provisions to prevent corruption and bribery; the obligation to avoid and control conflict of interests situations; the duty to make an efficient use of the goods and services of the Company, and to protect the information thereof; the duty to record transactions with economic significance in a clear and accurate manner in the appropriate accounting records. .

- The Code of Conduct for Manufacturers and Suppliers: which defines the minimum standards for an ethical and responsible behaviour that must be observed by all the manufacturers and suppliers of the Group, and which has been subject to a detailed analysis in previous sections of this Report.

The Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers are available on the corporate website.

Inditex also relies on an organisational and management model to prevent criminal offences: the Model of Criminal Risk Prevention, composed of the following documents:

- The Policy on Criminal Risk Prevention: it associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration by the employees and/or the Group itself the Policy intends to prevent. It expressly forbids to offer, grant, solicit or accept, directly or indirectly, gifts or handouts, favours or compensations, in cash or in kind, regardless of their nature, to or from any authorities or public servants, and includes specific guidelines to deal with public servants and administrators.

Such Policy is available to all the employees on INet.

- The Criminal Risk Prevention Procedure, which sets out the duties of the Committee of Ethics in the field of criminal risk prevention, and the organisational measures of the Company in this area.

- The Scoping Matrix of Criminal Risks and Controls, which sets out the criminal risks and controls established to prevent perpetration of offences.

Within the scope of such Model of Criminal Risk prevention, different standards have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates. Namely, for the purposes of ensuring that all Inditex employees, and those third parties with whom they are engaged in any business relationship, comply with the main anti-bribery and anti-corruption regulations existing in such markets where the Grupo is present, the so-called Integrity Policies have been approved. Such Policies have been circulated and are available on INET.

Such Policies implement certain elements of the Policy on Criminal Risk Prevention, and intertwine with the ethical values of the Group, defined in its Codes of Conduct.

The Integrity Policies, available on the corporate website and on INet, consist of:

- The Policy on Donations and Sponsorships, which define the notions of donation and sponsorship, for ease of reference of its recipients, and covers a number of requirements donations and sponsorships must meet in order for them to be validly made and/or accepted.

- The Policy on Gifts and Business Courtesies, which defines the notions of gift and business courtesy, for ease of reference of its recipients, and covers a number of requirements that must be met for the offering and/or acceptance thereof to be valid and compatible with Inditex's conduct policies.

- The Policy on Dealings with Public Servants, which (i) defines the notion of bribery and of public servant; (I i) expressly forbids briberies in the public or private sectors; (iii) covers extortion payments; (iv) expressly forbids facilitation payments, even where such payments are not forbidden under the laws and regulations of the country or territory in question; and (v) establishes due diligence process implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

The above referred basic high level standards and the Model of Criminal Risk Prevention are part of the above mentioned Compliance System of Inditex, whose nature is general and cross-cutting, and which is comprised of the following regulations:

- The Policy on Compliance, which sets out the commitments that all the employees of the Inditex Group must undertake, regardless of their location and position.

- The Compliance Management Procedure, which develops the contents of the Policy and fixes the organisational measures to prevent, detect and manage Noncompliance Risks events, reinforcing a culture of ethical compliance.

Likewise, in order to reduce criminal risks inherent in the business conducted by Inditex, and in the offences of public corruption and/or corruption among private persons, identified in the Scoping Matrix of Criminal Risks and Controls, a number of controls have been implemented, including:

- The communication, regular training and adherence by the employees to the Group's Code of Conduct and Responsible Practices

Additionally, the communication and disclosure of the internal regulations associated to the Model of Criminal Risk Prevention of the Group has been reinforced.

- The Policy on Representatives and Proxies of the Companies which make up the Inditex Group, that sets limits to representation powers.

Such Policy is available on INet to all the employees, and has been circulated to such employees who exercise, or are going to exercise representation powers of any company of the Group. Such employees are bound to state in writing their commitment to strictly comply with the Policy.

With regard to the foregoing, a Register of representatives and proxies of the Inditex Group has been put in place, to be aware at all times of those persons authorised to act for and on behalf of each company of the Group, as well as the scope of their authorities.

- The Policy on Corporate Payments: approved, circulated and available on INet. It provides the express prohibition to make payments in cash or with cheque. Any exception to such rule set shall be previously authorised by the Financial Management Department.

- Setting a segregation of functions, by separating profiles in those who can prepare payments and those who can make them.

- The Standard for Procurement Management which relies on (i) a tool for management of orders; and, (ii) an official procedure for the selection and hiring of indirect suppliers and calling for tenders.

- The inclusion in all the agreements covering general supplies and services entered into by Spanish companies, of an anticorruption clause whereby the general contractor expressly and irrevocably undertakes to comply at all times with the regulations on anticorruption, to the extent applicable, including not only provisions applicable because of where they are domiciled, but also any other regulation in force at the place of performance of the agreement.

Supervisory bodies of the Model

The Model is managed and supervised by the following governing bodies of the company:

- The Committee of Ethics, that reports to the Board of Directors through the Audit and Control Committee, is charged with overseeing compliance with the Codes of Conduct and with the Model of Criminal Risk Prevention, as well as the effectiveness of the controls set in such Model, and with ensuring that they fit the prevailing legal requirements from time to time in force.

The Committee of Ethics submits, at least every six months, a report to the Audit and Control Committee to review its proceedings and the application of the Code of Conduct and Responsible Practices, as well as the results of the supervision of the Model of Criminal Risk Prevention.

- Additionally, the Audit and Control Committee reports to the Board of Directors on an annual basis and every this latter so requests, on the enforcements of the Code of Conduct and Responsible Practices and of the additional documents which are part of the prevailing model of internal regulatory compliance from time to time in force.

- The General Counsel's Office – Office of the Chief Compliance Officer, is charged in general with the operational management of the Compliance System of the Company and its Group and in particular, of the Model of Criminal Risk Prevention.

The Company relies on a Whistle Blowing Channel whereby all the Group's employees, suppliers or third parties with a direct relationship and a lawful business or professional interests can, regardless of their managerial level and geographical or functional location, report any noncompliance with the internal regulations of the Group governing conduct and regulatory compliance, by any Group's employee, manufacturer, supplier or third party with whom the Group has a direct employment, business or professional relationship and which affect either Inditex or its Group. The information on such Whistle Blowing Channel is available on INet.

Therefore, any manner of noncompliance or breach may be reported, including those associated with corruption, fraud and bribery.

The Committee of Ethics is responsible for managing and overseeing the Whistle Blowing Channel and compliance with the Whistle Blowing Channel Procedure. The running of the Whistle Blowing Channel is addressed in the Whistle Blowing Channel Procedure.

The decisions of the Committee of Ethics shall be binding for the Inditex Group and for the employee.

Following reception of any report, the Committee of Ethics first establishes whether it falls within its remit. If such is the case, the Committee of Ethics will refer the matter to the relevant department so that it would launch the relevant investigation. Otherwise, it will order closing of proceedings.

In light of the findings following the relevant investigations, and having heard first the interested party, the Committee of Ethics will adopt any one or more of the following measures, having first assessed and considered them with the relevant department or departments:

- The remediation of the breach, if appropriate
- Proposing relevant sanctions or proceedings and/or.
- Closing of proceedings, in the absence of any breach whatsoever.

During financial year 2017, the Audit and Control Committee has engaged an independent firm to audit the Model of Criminal Risk Prevention, within the scope of a reasonable assurance review, in order to confirm the effectiveness and appropriate exercise of the controls included in the Scoping Matrix of Risks and Controls, and that the Model conforms to the requirements set in the Criminal Code and in UNE 19601 standard. The firm has issued an unqualified audit report.

Cases regarding corruption, fraud and bribery

During financial year 2017, Inditex has not learned, either through the Committee of Ethics or by any other means, of the institution of any legal proceedings regarding corruption or bribery which affect the Company.

IV.- Initiatives that Inditex has joined

The main initiatives, agreements and codes undertaken by Inditex are shown below (some of them are described in greater detail in other sections of this Report):

- UNI Global Union. It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of endorsement: 2 October 2009.

- UN Global Compact. A United Nations initiative that encourages social dialogue between companies and the civil society. Date of endorsement: 31 October 2001.

- Ethical Trading Initiative (ETI). A dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organisations. Date of endorsement: 17 October 2005.

- Framework Agreement with IndustriALL Global Union (formerly, ITGLWF). To promote fundamental human and social rights within Inditex's supply chain, including the definition of mechanisms of joint action within the supply chain to implement the Code of Conduct for Manufacturers and Suppliers. Date of endorsement: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the "Protocol to define the involvement of trade unions in the reinforcement of the International Framework Agreement within Inditex's supply chain." On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL, that introduces the concept of "union experts" to enforce the Global Framework Agreement.

- *Zero Discharge of Hazardous Chemicals* in 2020. Commitment towards restriction and elimination of certain chemicals in the product manufacturing process. Date of execution: 27 November 2012.

- ILO's Better Work Programme. Platform to improve compliance with labour regulations and competitiveness of global supply chains Date of accesion: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.

- The CEO Water Mandate. A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of endorsement: 30 June 2011.

- Sustainable Apparel Coalition. An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of endorsement: 20 October 2011.

- Textile Exchange. A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of endorsement: 8 September 2010.

- Better Cotton Initiative. An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of endorsement: 1 July 2011.

- Code of Good Tax Practices. It encourages a mutually cooperative relationship between the [*Spanish*] Tax Administration Authority and the companies. Date of endorsement: 21 September 2010.

- Cooperation Agreement between the Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defense and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.

- Cotton Campaign: this is an initiative led by companies and organisations of the third sector to improve working conditions and defend Human Rights with regard to the production and supply of cotton. Date of endorsement: 26 October 2012.

- Agreement on Buildings Safety in the Textile Industry in Bangladesh dated 13 May 2013. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country.

- Fur Free Alliance. Inditex is a member of the Fur Free Retailer Program of the Fur Free Alliance. The Fur Free Alliance is an international coalition of animal protection organisations working to bring an end to the exploitation and killing of animals for their fur. Date of endorsement: 1 January 2014.

- Bangladesh Water PaCT (Partnership for Cleaner Textile): a 4-year initiative that seeks to foster changes within the textile sector in Bangladesh by improving the so-called wet processes (dying, washing, printing and other finishes) from an environmental perspective, thus contributing to the competitiveness of the sector in the long run. Date of endorsement: 20 June 2013.

- ACT (Action Collaboration Transformation): an initiative of international brands & retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain. In development thereof, a Memorandum of Understanding was subscribed by ACT's brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of execution: 13 March 2015.

- *CanopyStyl*e Initiative. Date of endorsement: 2014. Committed to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibers (viscose, modal, lyocell).

- Organic Cotton Accelerator (OCA Foundation). One of the founding partners of OCA Foundation in 2016 and member of the Investment Committee, being actively committed to contributing to develop a responsible and healthy market of organic cotton for all parties involved.

- International Labour Organisation (ILO). Execution of a global Public-Private Partnership aimed at promoting respect for the fundamental principles and rights at work in the cotton sector. Date of execution: 11 May 2017.

- LBG. Methodology to measure business contributions to the community. Upwards of 200 global and mid-size companies from 15 sectors worldwide are currently part of the LBG network. Inditex has been a member since 2012.

V.- Corporate recognitions in external indexes or evaluations

During financial year 2017, Inditex has been recognised in the following indexes or evaluations:

- *Dow Jones Sustainability Index* (DJSI). In 2017 Inditex has been named by Dow Jones Sustainability Index for the second straight year, the most sustainable company in its sector, having scored 80 out of a possible 100 points. This ranking, compiled by the sustainability investing specialist RobecoSam, highlights Inditex's "*leadership within the retail industry with its pioneering stance on Human Rights"*.

- FTSE4Good. In 2017, Inditex scored 4.8 out of a possible 5 points, the highest in the industry, in the FTSE4Good index. This sustainability index includes the global companies most committed to corporate responsibility, considering their environmental, social and corporate governance practices.

- *Merco*. Merco Personas has named Inditex for the seven straight year the "Best company to work for in Spain."

- *Universum*. Universum identifies the 100 best companies to work for based upon surveys of university students. Inditex retains in 2017 the third position in the Business and Trade classification, which it also achieved in 2015 and 2016.

- *The Detox Catwalk 2016*. The Detox Catwalk 2016 report published by Greenpeace ranks Inditex at the top of the classification of the "*Detox committed companies that are ahead of the field, leading the industry towards a toxic-free future with credible timelines, concrete actions and on-the-ground implementation",* with the highest score..

VI.- About this report

In preparing this report, Inditex has followed the principles and directions included in the Global Reporting Initiative (GRI) standards.

To determine which contents to include in this report and how to report them, the Company has followed the directions provided in the standard GRI 101: Foundation 2016. Such standard covers the essential reporting principles to draft sustainability reports. One of such principles is materiality. Inditex has implemented such principle through a materiality analysis carried out with its stakeholders, which has resulted in the Materiality Matrix addressed in section II above.

Thus, and based upon GRI principles, this report addressed such issues which reflect significant economic, environmental and social impacts of the Company which may affect in a substantial manner the assessment process and the decision making of the interested parties. Both such issues and others not covered herein will be included in the Annual Report for financial year 2017, to be published by Inditex in July 2018.

Additionally, the recommendations provided in the guide prepared by the GRI have also been considered. According to such guide, a link has been established between Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (hereinafter, "Directive 2014/95/EU") and GRI's own standards: Linking the GRI Standards and the European Directive on non-financial and diversity disclosure.

Based upon the results of the materiality analysis, the issues addressed in (i) Directive 2014/95/EU, (ii) Real Decreto-ley 18/2017, of 24 November, whereby the Code of Commerce is amended, the revised text of the [*Spanish*] Companies Act approved by Real Decreto Legislativo 1/2010,of 2 July, and Act 22/2015, of 20 July on Statutory Audit, regarding non-financial information and diversity, and (iii) based upon the information herein available, the following GRI standards have been subject to an independent review by KPMG:

GRI Standards reviewed		Page
102-9	Supply chain	20
AF7	Number and location of workplaces covered by code of conduct	20
AF8	Number of audits conducted and percentage of workplaces audited	20,21
414-1	New suppliers that were screened using social criteria	21
416-1	Assessment of the health and safety impacts of product and service categories	22-24
201-1	Direct economic value generated and distributed	32-35
205-3	Confirmed incidents of corruption and actions taken	40
102-8	Information on employees and other workers	9
401-3	Parental leave	10
405-1	Diversity on governing bodies and employees	9-10
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	15
302-1	Energy consumption within the organisation	28
AF21	Amount of energy consumed and percentage of the energy that is from renewable sources	27,29
305-1	Direct (Scope 1) GHG emissions	29
305-2	Energy indirect (Scope 2) GHG emissions 2	29
308-2	Negative environmental impacts in the supply chain and actions taken	27

The scope and results of the independent review are described in the Review Report attached hereto.

KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report to the Management of Industria de Diseño Textil, S.A.

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

In accordance with our engagement letter, we performed an assurance review on the non-financial information contained in the Annex called "NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY" of the Management Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2018 (hereinafter "the Report"). The information reviewed corresponds to the content of the GRI standards indicated in the section "About this report" of the Annex: 102-8, 102-9, 401-3, 403-2, 405-1, 414-1, 308-2 , 416-1, 302-1, 305-1, 305-2, 201-1, AF7, AF8, AF21.

Management responsibilities

Inditex management is responsible for the preparation and presentation of the Report in accordance with the *Real Decreto Ley 18/2017 sobre divulgación de información no financiera y diversidad*. Management is also responsible for the information and assertions contained within the Report, in accordance with the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards), and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

These responsibilities include the establishment of appropriate controls that Inditex management considers necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to carry out a limited assurance review and to express a conclusion based on the work performed, referring exclusively to the non-financial information corresponding to 2017. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information and the Standard ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Limited assurance over limited assurance indicators

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of Inditex´s processes for determining the non-financial material issues that may have an impact on society.

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- Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business of Inditex.

- Evaluation through interviews concerning the consistency of the description of the application of Inditex´s policies and strategy on sustainability, governance, ethics and integrity.

- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.

- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Inditex.

- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information that responds to the *Real Decreto Ley 18/2017 sobre divulgación de información no financiera y diversidad*, contained in the Annex called "NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY" of the Management Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2018, have not, in all material respects, been prepared and presented in accordance with the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards), including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Purpose of our report

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Inditex in relation to the Annex called "NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY" of its 2017 Management Report, and for no other purpose or in any other context.

KPMG Asesores, S.L.

José Luis Blasco Vázquez

13 March 2018

Issue of the Annual Accounts and Directors´ Report for financial year 2017
(Sec. 253 Companies Act and Sec. 34 *et seq.* of the Commercial Code)

The Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 13 March 2018, to issue the Annual Accounts and the Directors´ Report of Industria de Diseño Textil, S.A. for financial year 2017 (1 February 2017 – 31 January 2018), which consist of the documents preceding this page, all of the pages of which have been signed by the Secretary of the Board of Directors for identification purposes.

Mr Pablo Isla Álvarez de Tejera
Chairman

Mr Amancio Ortega Gaona
Ordinary Member

Mr José Arnau Sierra
Deputy Chairman

Pontegadea Inversiones, S.L.
Ordinary Member
Ms Flora Pérez Marcote

Ms Denise Patricia Kingsmill
Ordinary Member

Mr José Luis Durán Schulz
Ordinary Member

Mr Rodrigo Echenique Gordillo
Ordinary Member

Mr Carlos Espinosa de los Monteros
Bernaldo de Quirós
Ordinary Member

Mr Emilio Saracho Rodríguez de Torres
Ordinary Member