

INDITEX GROUP
CONSOLIDATED ANNUAL ACCOUNTS
AT 31 JANUARY 2017

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 34). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the company. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 January 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended ("2016").

Director's responsibility for the consolidated financial statements

The Parent's directors are responsible for the preparation of the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Industria de Diseño Textil, S.A. and subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, identified in the accompanying notes to the consolidated financial statements, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion of these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's Director of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiaries at 31 January 2017, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated Directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Industria de Diseño Textil, S.A. and subsidiaries.

DELOITTE, S.L.

Registered in R.O.A.C. under Nº S0692



Germán de la Fuente

15 March 2017

INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS

AT 31 JANUARY 2017

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

CONSOLIDATED INCOME STATEMENT

(Amounts in thousands of euros)

	(notes)	2016	2015
Net sales	(3)	23,310,532	20,900,439
Cost of sales	(4)	(10,031,982)	(8,811,139)
GROSS PROFIT		13,278,550	12,089,300
		57.0%	57.8%
Operating expenses	(5)	(8,175,581)	(7,391,832)
Other losses and income, net	(6)	(19,548)	1,691
GROSS OPERATING PROFIT (EBITDA)		5,083,420	4,699,159
Amortization and depreciation	(7)	(1,062,686)	(1,021,717)
NET OPERATING PROFIT (EBIT)		4,020,734	3,677,442
Financial results	(8)	9,997	10,069
Results of companies accounted for using the equity method	(17)	47,588	55,607
PROFIT BEFORE TAXES		4,078,319	3,743,118
Income tax	(24)	(917,214)	(860,917)
NET PROFIT		3,161,105	2,882,201
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		4,148	7,617
NET PROFIT ATTRIBUTABLE TO THE PARENT		3,156,957	2,874,584
BASIC AND DILUTED EARNINGS PER SHARE, euros	(9)	1.014	0.923

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of euros)

	(notes)	2016	2015
Net profit		3,161,105	2,882,201
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognise directly in equity:			
Translation differences relating to financial statements of foreign operations		70,058	(244,395)
Cash flow hedges			
Profit	(26)	24,950	45,429
Loss	(26)	(7,635)	(7,746)
Tax effect		(3,997)	(9,688)
Total		83,376	(216,400)
Transfers to profit or loss:			
Cash flow hedges			
Profit	(26)	(36,439)	(97,569)
Loss	(26)	457	211
Tax effect		9,688	27,708
Total		(26,293)	(69,650)
Total comprehensive income for the year		3,218,188	2,596,151
Total comprehensive income attributable to:			
Equity holders of the Parent		3,214,040	2,588,534
Non-controlling interests		4,148	7,617
Total comprehensive income for the year		3,218,188	2,596,151

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 34). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED BALANCE SHEET

(Amounts in thousands of euros)

	(notes)	31-01-17	31-01-16
<u>ASSETS</u>			
NON-CURRENT ASSETS		9,723,088	8,907,913
Rights over leased assets	(15)	505,046	504,447
Other intangible assets	(15)	210,502	190,324
Goodwill	(16)	195,704	193,488
Property, plant and equipment	(13)	7,283,428	6,597,467
Investment property	(14)	21,221	21,152
Financial investments	(17)	231,423	183,804
Other non-current assets	(18)	553,734	523,802
Deferred tax assets	(24)	722,029	693,429
CURRENT ASSETS		9,898,347	8,449,235
Inventories	(12)	2,549,195	2,195,015
Trade and other receivables	(11)	861,027	668,807
Income tax receivable	(24)	107,473	89,086
Other current assets		141,190	139,401
Other financial assets	(26)	86,923	45,751
Current financial investments	(20)	2,036,627	1,085,648
Cash and cash equivalents	(20)	4,115,912	4,225,527
TOTAL ASSETS		19,621,435	17,357,148
<u>EQUITY AND LIABILITIES</u>			
EQUITY		12,751,554	11,450,793
Equity attributable to the Parent		12,713,380	11,410,197
Equity attributable to non-controlling interests		38,174	40,596
NON-CURRENT LIABILITIES		1,419,307	1,236,204
Provisions	(21)	241,613	145,294
Other non-current liabilities	(22)	920,053	804,966
Financial debt	(20)	498	749
Deferred tax liabilities	(24)	257,143	285,195
CURRENT LIABILITIES		5,450,574	4,670,151
Financial debt	(20)	61,696	10,254
Other financial liabilities	(26)	63,685	68,536
Income tax payable	(24)	230,061	77,095
Trade and other payables	(19)	5,095,132	4,514,266
TOTAL EQUITY AND LIABILITIES		19,621,435	17,357,148

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 34). In the event of a discrepancy, the Spanish-language version prevails.

		2016	2015
Profit before taxes and non-controlling interest		4,078,319	3,743,118
Adjustments to profit-			
Amortization and depreciation	(7)	1,062,686	1,021,717
Foreign exchange translation differences		(11,184)	(15,717)
Provisions for impairment		52,136	15,269
Results of companies consolidated by equity method	(17)	(47,588)	(55,607)
Other		69,297	165,935
Income tax		(797,608)	(977,349)
Funds from operations		4,406,058	3,897,366
Variation in assets and liabilities			
Inventories		(388,775)	(425,134)
Receivables and other current assets		(176,838)	187,222
Current payables		290,960	840,074
Changes in working capital		(274,653)	602,162
Cash flows from operating activities		4,131,404	4,499,528
Payments relating to investments in intangible assets		(173,034)	(164,301)
Payments relating to investments in property, plant and equipment		(1,258,523)	(1,353,610)
Collections relating to investments in other financial investments		27,493	22,308
Payments relating to investments in other financial investments		(12,538)	-
Payments relating to investments in other assets	(18)	(52,749)	(72,891)
Collections relating to investments in other assets	(18)	24,424	16,422
Changes in current financial investments		(951,375)	(863,606)
Cash flows from investing activities		(2,396,301)	(2,415,678)
Payments relating to non-current financial debt		(353)	(2,929)
Payments relating to acquisitions of treasury shares		(34,613)	-
Changes in current financial debt		53,365	4,907
Dividends		(1,871,456)	(1,625,949)
Cash flows used in financing activities		(1,853,058)	(1,623,971)
Net increase in cash and cash equivalents		(117,954)	459,879
Cash and cash equivalents at the beginning of the year	(20)	4,225,527	3,797,930
Effect of exchange rate fluctuations on cash and cash equivalents		8,340	(32,282)
Cash and cash equivalents at the end of the year	(20)	4,115,912	4,225,527

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 34). In the event of a discrepancy, the Spanish-language version prevails.

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

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

	Equity attributable to the Parent										
	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
Balance at 1 February 2015	93,500	20,379	10,296,350	63,304	109,521	(73,354)	(148,695)	69,650	10,430,655	38,046	10,468,701
Profit for the year	-	-	2,874,584	-	-	-	-	-	2,874,584	7,617	2,882,201
Distribution of results	-	-	(32,125)	-	32,125	-	-	-	-	-	-
Distribution of dividends	-	-	10,415	-	(10,415)	-	-	-	-	-	-
Other movements	-	-	(4,411)	-	-	-	-	-	(4,411)	2,043	(2,368)
Other comprehensive income for the year	-	-	-	-	-	-	(244,395)	(41,655)	(286,050)	-	(286,050)
Translation differences relating to financial statements of foreign operations	-	-	-	-	-	-	(244,395)	-	(244,395)	-	(244,395)
Cash flow hedges	-	-	-	-	-	-	-	(41,655)	(41,655)	-	(41,655)
Operations with equity holders or owners	-	-	(1,618,839)	14,259	-	-	-	-	(1,604,580)	(7,110)	(1,611,690)
Share-based payments	-	-	-	14,259	-	-	-	-	14,259	-	14,259
Dividends	-	-	(1,618,839)	-	-	-	-	-	(1,618,839)	(7,110)	(1,625,949)
Balance at 31 January 2016	93,500	20,379	11,525,973	77,563	131,231	(73,354)	(393,090)	27,995	11,410,197	40,596	11,450,793
Balance at 1 February 2016	93,500	20,379	11,525,973	77,563	131,231	(73,354)	(393,090)	27,995	11,410,197	40,596	11,450,793
Profit for the year	-	-	3,156,957	-	-	-	-	-	3,156,957	4,148	3,161,105
Distribution of results	-	-	(55,607)	-	55,607	-	-	-	-	-	-
Distribution of dividends	-	-	27,744	-	(27,744)	-	-	-	-	-	-
Transfers	-	-	(82,739)	-	-	-	82,739	-	-	-	-
Other movements	-	-	(29,049)	-	1,784	-	-	-	(27,265)	(3,304)	(30,569)
Other comprehensive income for the year	-	-	-	-	-	-	70,058	(12,975)	57,083	-	57,083
Translation differences relating to financial statements of foreign operations	-	-	-	-	-	-	70,058	-	70,058	-	70,058
Cash flow hedges	-	-	-	-	-	-	-	(12,975)	(12,975)	-	(12,975)
Operations with equity holders or owners	-	-	(1,868,190)	(1,645)	-	(13,757)	-	-	(1,883,592)	(3,266)	(1,886,858)
Treasury shares	-	-	-	-	-	(13,757)	-	-	(13,757)	-	(13,757)
Additions relating to share-based payments	-	-	-	16,929	-	-	-	-	16,929	-	16,929
Exercise of share-based payments	-	-	-	(18,574)	-	-	-	-	(18,574)	-	(18,574)
Dividends	-	-	(1,868,190)	-	-	-	-	-	(1,868,190)	(3,266)	(1,871,456)
Balance at 31 January 2017	93,500	20,379	12,675,090	75,918	160,878	(87,111)	(240,294)	15,020	12,713,380	38,174	12,751,554

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note below and Note 34). In the event of a discrepancy, the Spanish-language version prevails.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AT 31 JANUARY 2017

The consolidated annual accounts of the Inditex Group for 2016 were prepared by the Board of Directors on 14 March 2017 and will be submitted for approval at the corresponding annual general shareholders' meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2015 were approved by the annual general shareholders' meeting held on 19 July 2016.

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

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2016 will hereinafter be referred to as "2015", the twelve-month period ended 31 January 2017 as "2016", and so on.

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

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

The separate annual accounts of the Parent (Inditex) for 2016 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2017, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2016 were prepared on the basis of the accounting records of Inditex and the other Group companies.

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

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

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

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as EBIT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year).
- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

In preparing the consolidated annual accounts at 31 January 2017 estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

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

These estimates were made using the best information available at 31 January 2017 and 2016. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

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

1) Activity and description of the Group

Industria de Diseño Textil, S.A. (“Inditex”), domiciled in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a group of companies whose principal activity is the retail distribution of fashion items, mainly clothing, footwear, accessories and household textile products. Inditex carries out its activity through various commercial formats 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 (“the Group”).

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

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

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

Inditex’s business model is characterized by the search for flexibility in adapting production to market demand through control of the supply chain in the various stages of design, manufacture and distribution. This enables it to focus both its own and suppliers’ production on changes in trends within each sales campaign.

The Group’s logistics system is based on continuous deliveries to stores, throughout each season, from the distribution centers of the various commercial formats. This system essentially operates through centralized logistics facilities for each of the concepts, at which inventory is stored and from which it is distributed to all the stores worldwide.

At 31 January 2017, the various Group formats had stores in 93 different markets with the following geographical distribution:

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

At 31 January 2016, the geographical distribution of stores was as follows:

	Number of stores		
	Company managed	Franchises	Total
Spain	1,790	36	1,826
Rest of Europe	2,941	146	3,087
Americas	539	143	682
Rest of the world	835	583	1,418
Total	6,105	908	7,013

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 25.

2) Selected accounting policies

2.1) Basis of consolidation

i) *Subsidiaries*

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Appendix I. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are stated at their acquisition-date fair values, provided the acquisition took place after 1 January 2004, the date of transition to EU-IFRSs.

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

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

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

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

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

The share of non-controlling interests of the equity and profit or loss of the subsidiaries is presented under "Equity attributable to non-controlling interests" and "Net profit attributable to non-controlling interests", respectively. A detail of the subsidiaries is provided in Appendix I.

ii) Jointly controlled entities

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

iii) Harmonization of criteria

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

iv) Intra-Group eliminations

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

v) Translation of annual accounts denominated in foreign currencies

The Group applied the exemption relating to cumulative translation differences envisaged in IFRS 1 First-time Adoption of International Financial Reporting Standards and, therefore, any translation differences recognized in the consolidated annual accounts that were generated prior to 1 January

2004 are recorded in reserves. Since that date, the annual accounts of companies with a functional currency other than the euro have been translated as follows:

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

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

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

vi) Annual accounts in hyperinflationary countries

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

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

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

viii) Changes in the consolidation scope

Appendix I lists all the companies included in the scope of consolidation. The detail of the main companies incorporated and consolidated for the first time in 2016 is as follows:

Companies incorporated:

ZARA RETAIL NZ LIMITED
ZARA HOME SRB DOO BEOGRAD
UTERQÜE POLSKA SP. Z O.O.
MASSIMO DUTTI FINLAND OY
UTERQÜE KAZAKHSTAN LLP

During the financial year, Massimo Dutti Puerto Rico INC has merged with Zara Puerto Rico INC, and the company ITX Japan Corporation as merged with Zara Japan Corporation.

The inclusions in the consolidated Group referred to above did not have a material impact on equity in the consolidated annual accounts for 2016.

2.2) Accounting policies

New standards and amendments applied in 2016

The following standards, amendments and interpretations recently came into force for all reporting periods beginning on or after 1 January 2016:

- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets): These amendments clarify the acceptable methods of depreciation and amortization of property, plant and equipment and intangible assets.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11, Joint Arrangements): The amendments provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.
- Improvements to IFRSs, 2012-2014 cycle - a series of minor amendments to the following standards was introduced:
 - o IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.
 - o IFRS 7, Financial Instruments: Disclosures.
 - o IAS 19, Employee Benefits.
 - o IAS 34, Interim Financial Reporting.
- Equity Method in Separate Financial Statements (Amendments to IAS 27, Separate Financial Statements): the amendments permit the use of the equity method in the separate financial statements of an investor.

- Disclosure Initiative (Amendments to IAS 1, Presentation of Financial Statements): the amendments included clarifications in relation to disclosures (materiality, aggregation, order of specific items within the Notes to the financial statements, etc.)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, Consolidated Financial Statements, IFRS 11, Disclosure of Interests in Other Entities and IAS 28, Investments in Associates and Joint Ventures). The amendments introduce certain clarifications on the consolidation exception for investment entities.
- Agriculture: Bearer Plants (Amendments to IAS 16, Property, Plant and Equipment and IAS 41, Agriculture). Bearer plants shall be measured at cost rather than at fair value.

The application of the aforementioned amendments and improvements did not give rise to a material impact on the Group's annual accounts. Also, certain standards and amendments do not have an impact due to their subject-matter (e.g. IAS 41, Agriculture).

Standards approved for use in the European Union

At the date of formal preparation of these consolidated annual accounts, the following standards and interpretations with a potential impact on the Group had been issued by the IASB and adopted by the European Union for their application in annual reporting periods beginning on or after 1 January 2018 (they were not applied early):

- IFRS 15, Revenue from Contracts with Customers, and the related clarifications. This standard, which supersedes the current standards on revenue IAS 18, Revenue and IAS 11, Construction Contracts and the interpretations issued (IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31), establishes a new model for revenue recognition based on the concept of control, whereby revenue is recognized when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer. To this end, IFRS 15 introduces a five-step approach to the recognition of revenue and more extensive disclosure requirements. Also, certain clarifications to the standard issued by the IASB are yet to be adopted.

As detailed in Notes 1 and 3, the main activities for which the Group recognizes revenue are retail sales through company-managed stores and online, franchises and other online channels. In a preliminary assessment, Group management considered that the aforementioned activities represent mainly the performance obligation to transfer certain goods to customers, revenue from which is recognized at the point in time at which control over the aforementioned products is transferred, which does not differ significantly from the current identification of independent price components performed pursuant to IAS 18. Also, management does not expect the allocation of the transaction price to the various performance obligations in each contract, where applicable,

or the timing of recognition of the revenue in the income statement as a result of applying IFRS 15 to differ significantly from those provided for in the current standard IAS 18.

- IFRS 9, Financial Instruments. This standard supersedes IAS 39. There are significant differences with respect to the current standard for the recognition and measurement of financial instruments, the most important being as follows:

- Classification and measurement of financial instruments:

Two categories are established with respect to financial assets:

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

In relation to the measurement of financial liabilities designated optionally as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income (unless this would create or enlarge an accounting mismatch in profit or loss) and shall not be reclassified subsequently to profit or loss.

On the basis of the Group's financial assets and liabilities at 31 January 2017, application of IFRS 9 vis-à-vis measurement and clarification of financial instruments is not expected to have a significant effect on the consolidated annual accounts.

- Impairment: a new impairment model based on expected credit losses is established, as opposed to the current incurred loss model. Under the expected credit loss model, it is no longer necessary for an impairment event to have occurred before credit losses are recognized. Given the nature of the Group's business, in which the majority of sales are

collected in cash and there are no material accounts receivable of another kind, the impact of applying this new impairment model is not expected to be significant.

- Hedge accounting: IFRS 9 eases the rules for determining transactions that qualify for hedge accounting and revises the rules of the hedge effectiveness test. Given that the new hedge accounting requirements will be more closely aligned with the Group's risk management policies, a preliminary assessment of the Group's current hedging relationships indicates that they will meet the conditions to continue as hedging relationships on application of IFRS 9. Application of IFRS 9 vis-à-vis hedge accounting is not expected to have a significant impact on the consolidated annual accounts.

The aforementioned assessment was made by reference to an analysis of the Group's financial assets and liabilities at 31 January 2017 and of the facts and circumstances that existed at that date. Since the facts may change in the period until the date of initial application of IFRS 9 (expected to be 1 February 2018, since the Group does not intend to apply the standard early), the assessment of its potential effect is subject to change.

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

At the date of preparation of these consolidated annual accounts, the following standards and interpretations with a potential impact on the Group had been issued by the IASB but had not yet been adopted by the European Union:

- Disclosure Initiative (Amendments to IAS 7, Statement of Cash Flows). Effective for annual periods beginning on or after 1 January 2017, the amendments introduce new additional disclosure requirements relating to the reconciliation of changes in financial liabilities to cash flows from financing activities.
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12, Income Taxes). Effective for annual periods beginning on or after 1 January 2017, the amendments introduce clarifications to the principles established for the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2, Share-based Payment). Effective for annual periods beginning on or after 1 January 2018, the amendments relate to specific issues concerning the classification and measurement of share-based payment transactions.
- Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts (Amendments to IFRS 4). Effective for annual periods beginning on or after 1 January 2018. The

amendments provide entities within the scope of IFRS 4 with the option of applying IFRS 9 or the temporary exemption therefrom.

- Transfers of Investment Property (Amendments to IAS 40, Investment Property). Effective for annual periods beginning on or after 1 January 2018, these amendments clarify the circumstances in which the transfer of a property to, or from, investment property is permitted.
- Annual Improvements to IFRS Standards 2014–2016 Cycle, establishing minor amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, IFRS 12, Disclosure of Interests in Other Entities and IAS 28, Investments in Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2018.
- IFRIC 22, Foreign Currency Transactions and Advance Consideration. This interpretation, mandatorily applicable in annual periods beginning on or after 1 January 2018, establishes the date of the transaction for the purpose of determining the exchange rate to use in transactions with advance consideration in a foreign currency.

The Group is analyzing the impact that these new standards and amendments may have on the consolidated annual accounts, which is not expected to be significant.

Also, at the date of preparation of these consolidated annual accounts the IASB had issued IFRS 16, Leases. IFRS 16 is mandatorily applicable for annual reporting periods beginning on or after 1 January 2019 and is expected to be adopted by the European Union, per the information published by the European Financial Reporting Advisory Group (EFRAG), in the next twelve months. This Standard, which supersedes IAS 17, Leases and the related interpretations (IFRIC 4, SIC-15 and SIC-27), sets out the new principles for the identification of leases and their accounting treatment.

From a lessee accounting model standpoint, IFRS 16 replaces the current dual model that distinguishes between finance leases and operating leases with a single lessee accounting model under which lessees shall recognize all leases in their balance sheets as if they were financed purchases, except for the very specific exceptions of leases for which the underlying asset is of low value and short-term leases. In general, the foregoing entails for each lease:

- The recognition in the balance sheet of an asset for the value of the underlying asset and of a liability for the present value of the fixed lease payments (including in-substance fixed payments) and variable lease payments that depend on an index or a rate.

- The recognition in the income statement, over the lease term, of a depreciation charge for the right-of-use asset and an interest expense relating to the amortized cost of the lease liability.

As indicated in Note 1 to the consolidated annual accounts, the majority of the Group's company-managed stores are located in commercial premises leased under operating leases, in relation to which the Group recognized a lease expense and committed to certain future non-cancellable minimum payments which are detailed in Note 25 to the consolidated annual accounts. At the date of preparation of these consolidated annual accounts, the Group was adapting its reporting systems to gather the necessary information on leases in order to recognise them in accordance with IFRS 16. Also, at the date of preparation of these consolidated annual accounts, management was estimating the impact that application of this new standard will have on the Group's consolidated annual accounts, which, on the basis of the foregoing, is expected to be significant.

a) Translation of foreign currency balances and transactions

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

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

b) Property, plant and equipment

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

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

The estimated average useful lives are as follows:

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

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

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

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

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

c) Rights over leased assets

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

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

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

In order to assess the possible existence of impairment of these assets, the Group uses the procedures described in Note 2.g., Impairment of non-current assets.

d) Other intangible assets

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

- Computer software: software is stated at cost and is amortized on a straight-line basis over a five-year period.
- Industrial designs: these items are reflected at their cost of production, which includes the cost of samples, personnel costs and other directly or indirectly attributable costs, and are amortized on a straight-line basis over an estimated useful life of two years.

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

e) Financial investments

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

f) Investment property

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

A detail of the market value of investment property is shown in Note 14.

g) Impairment of non-current assets

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

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

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances such as the performance of a store, operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full.

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

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at concept-country level, or even at the level of all the companies located in a given country. Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature.

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

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual return).

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets (or similar instruments, if no 10-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

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

	2016 Average	2015 Average
Americas	9.20%	9.55%
Asia and rest of the world	6.66%	6.85%
Spain	5.39%	5.79%
Rest of Europe	6.58%	6.84%
Total	7.05%	7.32%

The results obtained from the 2016 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Notes 13 and 15 to the consolidated annual accounts relating to property, plant and equipment and rights over leased assets and other intangible assets.

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

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

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to Euros 1,761 thousand and Euros 1,416 thousand, respectively (Euros 1,587 thousand and Euros 1,217 thousand, respectively, in 2015).

Impairment of goodwill

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

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

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

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, with the exception that, since the CGU is the acquiree, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding

period. The impairment tests for 2016 and 2015 did not give rise to the recognition of any impairment loss on goodwill.

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

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

These sensitivity analyses, performed separately for each of the aforementioned assumptions, did not disclose the potential existence of any impairment in any of the cases.

Impairment of intangible assets with an indefinite useful life

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

Reversals of impairment losses

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

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

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

h) Trade and other receivables

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

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

i) Inventories

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

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

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

Cost is calculated on a "First in - First out" (FIFO) basis and includes the cost of materials consumed, labor and manufacturing expenses.

The cost of inventories is adjusted through "Cost of sales" in the consolidated income statement when cost exceeds net realizable value. Net realizable value is understood to be:

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

j) Cash and cash equivalents

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

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

The Group classifies the cash flows relating to interest and dividends paid and received as cash flows from investing and financing activities.

k) Current financial investments

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

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

l) Employee benefits

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2017.

The personnel 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 and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The personnel expenses incurred by the Company in relation to the beneficiaries of the plans referred to in Note 27 to the consolidated annual accounts are recognized with a credit to liability and equity accounts in the period in which the expenses are incurred.

m) Provisions and contingent liabilities

Provisions are recognized in the balance sheet when:

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

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

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

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

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

n) Financial liabilities

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

o) Derivatives and hedging operations

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

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

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

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

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

Level 1

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

Level 2

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

Level 3

Unobservable inputs for the asset or liability.

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

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

Level 1 instruments

The Group assigns certain fixed-income securities to this level and measures them at the prices in the active market in which they are traded.

Level 2 instruments

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

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

Foreign currency forwards

Fair value measurement:

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

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

Cross-currency swaps

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.
- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).
- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.
- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Zero-premium option combinations

Fair value measurement:

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

Options purchased

Fair value measurement:

The determination of the fair value of the (plain vanilla) options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the underlying's price, the

exercise price, the time to expiration and the volatility of the underlying. The credit risk adjustment is performed using the spread method.

p) Revenue recognition

Sales of goods are recognized when substantially all the risks and rewards of ownership of the goods are transferred, and they are presented net of actual and projected sales returns.

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

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

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

q) Leases

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

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

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

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

r) Finance income and costs

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

s) Income tax

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

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

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

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

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

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

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

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

t) Current and non-current assets and liabilities

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

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

u) Treasury shares

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

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

3) Net sales

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

The detail of this line item in 2016 and 2015 is as follows:

	2016	2015
Net sales in company-managed stores and online	21,243,565	19,046,997
Net sales to franchises	1,831,758	1,645,401
Other sales and services rendered	235,209	208,041
Total	23,310,532	20,900,439

4) Cost of sales

The detail of this line item in 2016 and 2015 is as follows:

	2016	2015
Raw materials and consumables	10,386,162	9,146,638
Change in inventories	(354,180)	(335,499)
Total	10,031,982	8,811,139

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

5) Operating expenses

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

	2016	2015
Personnel expenses	3,642,730	3,335,246
Operating leases (note 25)	2,221,040	2,087,434
Other operating expenses	2,311,811	1,969,152
Total	8,175,581	7,391,832

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

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

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2016 is as follows:

Categories	Gender		Total
	W	M	
Manufacturing and logistics	4,012	5,128	9,140
Central services	6,448	3,823	10,271
Stores	106,049	27,394	133,443
Total	116,509	36,345	152,854

Lease expenses relate mainly to the rental, through operating leases, of the Group’s commercial premises. This line item also includes lease incentives, which are recognized in profit or loss. Note 25 provides more detailed information on the main terms of these leases, together with the related minimum future payment obligations.

“Other operating expenses” includes mainly expenses relating to store operations, logistics and general expenses, such as electricity, commissions on credit and debit card payments, travel, decoration expenses, communications and all kinds of professional services.

6) Other losses and income, net

With respect to the Group's performance in 2016, the Board of Directors, following a favourable report from the Remuneration Committee, resolved at its meeting held on 14 March 2017 to increase, on an extraordinary basis and applicable solely to that business year, the total amount of the employees' profit-sharing plan, up to a total

of Euros 42,000 thousand, and recognized Euros 14,000 thousand under this heading in relation to the excess over the amount corresponding to 10% of the growth in profit. The characteristics of this plan are described in Note 27, Employee benefits.

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

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

a) Subsidiaries domiciled in Mexico

The Group 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 shareholder's share of the equity of the investee when the call option is exercised.

b) Subsidiaries domiciled in Korea

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

c) Subsidiaries domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Proprietary), 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 shareholder's share of the equity of the investee when the call option is exercised.

d) Subsidiaries domiciled in Australia

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

7) Amortization and depreciation

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

	2016	2015
Amortization and depreciation charge (notes 13, 14, 15 and 18)	967,985	976,497
Variation in impairment losses (notes 13 and 15)	36,236	27,924
Profit/(loss) on assets (notes 13 and 15)	70,339	38,015
Others	(11,874)	(20,719)
	1,062,686	1,021,717

"Other" relates mainly to gains on non-current asset sales.

8) Financial results

The detail of "Financial results" in the consolidated income statements for 2016 and 2015 is as follows:

	2016	2015
Finance income	21,493	23,255
Foreign exchange gains	16,783	21,531
Total income	38,276	44,786
Finance costs	(7,635)	(12,069)
Foreign exchange losses	(20,644)	(22,648)
Total expenses	(28,279)	(34,717)
Total	9,997	10,069

Finance income and costs comprise mainly the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). Net foreign exchange differences are principally due to fluctuations in the currencies with which the Group operates (see Note 26) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with applicable accounting principles.

9) Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 23), which totalled 3,113,647,003 in 2016 and 3,113,152,000 in 2015.

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

At the end of 2016 there were no instruments with dilutive effects on earnings per share.

10) Segment reporting

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

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

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

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

The Inditex Group segment information is as follows:

FY 2016					
	ZARA	Bershka	Other	Inter-segment	Total
Sales to third parties	15,483,128	2,013,029	5,908,169	(93,794)	23,310,532
Segment EBIT	2,764,189	332,878	922,664	1,003	4,020,734
Amortization and depreciation	659,119	88,152	316,318	(904)	1,062,686
Segment total assets	15,073,589	938,247	3,609,598		19,621,435
ROCE	30%	58%	40%		33%
Number of stores	2,213	1,081	3,998		7,292

FY 2015					
	ZARA	Bershka	Other	Inter-segment	Total
Sales to third parties	13,710,912	1,879,179	5,403,229	(92,882)	20,900,439
Segment EBIT	2,453,681	299,881	926,885	(3,004)	3,677,442
Amortization and depreciation	624,292	106,427	287,993	3,004	1,021,717
Segment total assets	13,251,245	886,164	3,219,739		17,357,148
ROCE	30%	53%	45%		34%
Number of stores	2,162	1,044	3,807		7,013

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

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

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

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

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

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

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

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets.

	Net Sales		Non-current assets	
	2016	2015	31/01/2017	31/01/2016
Spain	4,251,149	4,002,801	3,073,960	2,920,572
Rest of Europe	10,749,859	9,695,065	3,253,120	2,916,414
Americas	3,484,459	3,002,480	1,529,005	1,361,809
Asia and rest of the world	4,825,064	4,200,093	1,144,974	1,015,689
Total	23,310,532	20,900,439	9,001,059	8,214,484

11) Trade and other receivables

The detail of this line item at 31 January 2017 and 2016 is as follows:

	31/01/2017	31/01/2016
Trade receivables	231,799	163,765
Receivables due to sales to franchises	232,884	229,873
Public entities	278,191	152,881
Other current receivables	118,152	122,288
Total	861,027	668,807

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

Part of the Group's activity is carried out through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 26.

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

Other current receivables include items such as rental incentives due from shopping center developers (see Note 25) and outstanding balances on sundry operations.

12) Inventories

The detail of this line item at 31 January 2017 and 2016 is as follows:

	31/01/2017	31/01/2016
Raw materials and consumables	95,940	87,940
Goods in process	33,087	32,955
Finished goods for sale	2,420,168	2,074,120
Total	2,549,195	2,195,015

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

13) Property, plant and equipment

The detail of the items composing "Property, plant and equipment" in the accompanying consolidated balance sheet and of the changes therein is as follows:

	Land and buildings	Fixtures, furniture and machinery	Other property, plant and equipment	Work in progress	Total
Cost					
Balance at 01/02/2015	1,643,011	8,251,907	434,387	471,113	10,800,418
Acquisitions	136,563	1,160,402	82,399	153,500	1,532,865
Disposals (Note 7)	(1,837)	(399,394)	(35,193)	(760)	(437,184)
Transfers	86,507	82,746	9,212	(123,244)	55,222
Foreign exchange translation differences	9,004	(231,452)	(11,649)	9,225	(224,872)
Balance at 31/01/2016	1,873,248	8,864,209	479,157	509,835	11,726,449

Balance at 01/02/2016	1,873,248	8,864,209	479,157	509,835	11,726,449
Acquisitions	6,827	1,214,531	106,114	211,046	1,538,517
Disposals (Note 7)	(3,766)	(442,802)	(53,441)	(312)	(500,321)
Transfers	274,204	64,576	58,491	(398,533)	(1,261)
Foreign exchange translation differences	10,473	91,585	8,247	(1,319)	108,986
Balance at 31/01/2017	2,160,986	9,792,099	598,568	320,716	12,872,370

Depreciation

Balance at 01/02/2015	258,269	4,236,605	203,126	-	4,698,000
Depreciation charge for the year (Note 7)	36,370	751,565	64,084	-	852,018
Disposals (Note 7)	(585)	(363,526)	(33,245)	-	(397,356)
Transfers	10,319	(9,694)	766	-	1,390
Foreign exchange translation differences	338	(93,232)	(5,998)	-	(98,892)
Balance at 31/01/2016	304,711	4,521,717	228,733	-	5,055,160

Balance at 01/02/2016	304,711	4,521,717	228,733	-	5,055,160
Depreciation charge for the year (Note 7)	38,860	719,963	73,011	-	831,834
Disposals (Note 7)	(1,021)	(380,834)	(26,987)	-	(408,843)
Transfers	32	(1,034)	(21)	-	(1,022)
Foreign exchange translation differences	551	19,890	3,497	-	23,938
Balance at 31/01/2017	343,133	4,879,701	278,233	-	5,501,067

Impairment losses (note 2.2-g)

Balance at 01/02/2015	1,413	59,118	1,313	-	61,844
Charge for the year (Note 7)	258	34,089	549	-	34,896
Amounts charged to profit or loss (Note 7)	-	(10,212)	(347)	-	(10,559)
Disposals (Note 7)	-	(11,380)	(426)	-	(11,807)
Transfers	-	291	1	-	291
Foreign exchange translation differences	-	(861)	16	-	(845)
Balance at 31/01/2016	1,671	71,044	1,106	-	73,821

Balance at 01/02/2016	1,671	71,044	1,106	-	73,821
Charge for the year (Note 7)	-	47,296	1,621	-	48,917
Amounts charged to profit or loss (Note 7)	(139)	(15,317)	(274)	-	(15,730)
Disposals (Note 7)	-	(14,503)	(258)	-	(14,761)
Transfers	-	(5,211)	(90)	-	(5,300)
Foreign exchange translation differences	-	930	(2)	-	927
Balance at 31/01/2017	1,532	84,240	2,102	-	87,875

Carrying amount

Balance at 31/01/2016	1,566,865	4,271,448	249,319	509,835	6,597,467
Balance at 31/01/2017	1,816,321	4,828,158	318,233	320,716	7,283,428

“Fixtures, furniture and machinery” includes mainly assets related to stores.

“Other property, plant and equipment” includes, inter alia, information technology equipment and motor vehicles.

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

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of Euros 1,949,016 thousand and Euros 1,887,334 thousand at 31 January 2017 and 31 January 2016, respectively.

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

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

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

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

14) Investment property

Investment property relates mainly to premises and other property assets leased to third parties. The changes in this line item in 2016 and 2015 were as follows:

Cost	31/01/17	31/01/16
Opening balance	25,860	87,682
Transfers	442	(61,822)
Closing balance	26,302	25,860
Depreciation		
Opening balance	4,708	6,192
Depreciation charge for the year (Note 7)	249	250
Transfers	124	(1,734)
Closing balance	5,082	4,708
Net carrying value	21,221	21,152

The total market value of the investment property at 31 January 2017 was approximately Euros 22,000 thousand (31 January 2016: Euros 21,200 thousand). This market value is supported, in the case of the most significant properties (81% of the total cost), by appraisals conducted in the last few years by independent valuers with acknowledged professional capacity and recent experience in relation to the location and category of the investment property valued. The appraisals were conducted using a future cash flow discounting method based on the market prices of similar premises.

In 2016 Euros 2,367 thousand (Euros 2,675 thousand in 2015) of rental income on these investment properties were included under “Net sales - Other sales and services rendered” (see Note 3) in the consolidated income statement.

15) Rights over leased assets and other intangible assets

“Rights over leased assets” include amounts paid in respect of leasehold assignment rights, lease access or surrender premiums and indemnities in order to lease commercial premises.

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

At 31 January 2017, “Rights over leased assets” included items with an indefinite useful life amounting to Euros 133,738 thousand (Euros 133,130 thousand at 31 January 2016). The useful lives of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group does not have other any intangible assets with an indefinite useful life.

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

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

The detail of “Other intangible assets” in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2015	1,010,246	25,035	96,489	137,597	1,269,367
Acquisitions	53,631	1,714	31,564	87,226	174,135
Disposals	(18,328)	(8)	(7,527)	(50,586)	(76,449)
Transfers	(19,825)	1,184	805	(4)	(17,840)
Foreign exchange translation differences	(17,538)	(72)	(421)	(62)	(18,093)
Balance at 31/01/2016	1,008,186	27,854	120,908	174,171	1,331,120
Balance at 01/02/2016	1,008,186	27,854	120,908	174,171	1,331,120
Acquisitions	51,479	2,153	47,580	77,163	178,374
Disposals (Note 7)	(32,725)	(2)	(281)	(77,861)	(110,869)
Transfers	(993)	-	6,274	(6,303)	(1,022)
Foreign exchange translation differences	(1,541)	50	151	46	(1,295)
Balance at 31/01/2017	1,024,406	30,054	174,631	167,217	1,396,309
Amortization					
Balance at 01/02/2015	472,276	13,954	37,028	55,138	578,396
Amortization charge for the year	40,870	2,102	19,157	62,099	124,229
Disposals	(8,735)	(8)	(7,710)	(48,772)	(65,225)
Transfers	-	1,184	(1,184)	-	-
Foreign exchange translation differences	(9,899)	(72)	(276)	(42)	(10,287)
Balance at 31/01/2016	494,512	17,161	47,015	68,423	627,112
Balance at 01/02/2016	494,512	17,161	47,015	68,423	627,112
Amortization charge for the year (Note 7)	40,523	2,647	24,358	68,373	135,901
Disposals (Note 7)	(25,315)	(1)	(290)	(66,470)	(92,076)
Transfers	(80)	-	1	-	(79)
Foreign exchange translation differences	(2,019)	50	108	20	(1,841)
Balance at 31/01/2017	507,621	19,857	71,192	70,347	669,016
Impairment losses (note 2.2-g)					
Balance at 01/02/2015	6,855	-	4	2	6,861
Impairment charge for the year	4,830	-	-	8	4,838
Amounts charge to profit or loss	(1,251)	-	-	-	(1,251)
Disposals	(1,226)	-	(3)	(1)	(1,230)
Transfers	15	-	-	-	15
Foreign exchange translation differences	5	-	(1)	-	3
Balance at 31/01/2016	9,227	-	1	9	9,238
Balance at 01/02/2016	9,227	-	1	9	9,238
Impairment charge for the year (Note 7)	5,462	-	1	3	5,466
Amounts charge to profit or loss (Note 7)	(2,409)	-	-	(7)	(2,417)
Disposals (Note 7)	(569)	-	(1)	(1)	(571)
Transfers	(59)	-	-	0	(59)
Foreign exchange translation differences	88	-	-	0	87
Balance at 31/01/2017	11,739	-	0	5	11,744
Carrying amount					
Balance at 31/01/2016	504,447	10,692	73,894	105,739	694,771
Balance at 31/01/2017	505,046	10,197	103,439	96,865	715,548

The Group capitalized Euros 47,580 thousand in 2016 (Euros 24,824 thousand in 2015) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized Euros 77,163 thousand (Euros 86,538 thousand in 2015) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

16) Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	2016	2015
Opening balance	193,488	197,901
Foreign exchange translation differences	2,216	(4,413)
Closing balance	195,704	193,488

Investee	2016	2015
Stradivarius España, S.A.	53,253	53,253
BCN Diseños, S.A. de C.V.	10,276	11,447
Zara Polska, S.p. Zo.o.	33,651	32,819
Zao Zara CIS	10,492	8,254
Pull&Bear CIS	232	182
Stradivarius CIS	5,486	5,173
Zara Serbia, D.O.O. Belgrade	4,150	4,174
Pull & Bear Serbia, D.O.O. Belgrade	690	695
Massimo Dutti Serbia, D.O.O. Belgrade	831	835
Bershka Serbia, D.O.O. Belgrade	803	807
Stradivarius Serbia, D.O.O. Belgrade	724	728
Oysho Serbia, D.O.O. Belgrade	482	485
Inditex Montenegro, D.O.O. Podgorica	2,577	2,577
Massimo Dutti Benelux, N.V.	19,921	19,921
Italco Moda Italiana, LDA.	51,357	51,357
Z-Fashion Finland OY	781	781
Closing balance	195,704	193,488

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

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

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

17) Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2015	7,109	141,676	2,468	151,253
Acquisitions	300	55,607	73	55,980
Disposals	(267)	(22,414)	(748)	(23,429)
Balance at 31/01/2016	7,142	174,869	1,793	183,804
Balance at 01/02/2016	7,142	174,869	1,793	183,804
Acquisitions	13,954	47,588	-	61,542
Disposals	(1,416)	(27,493)	-	(28,909)
Transfers	12,478	-	463	12,941
Foreign exchange translation	(1,363)	3,409	-	2,046
Balance at 31/01/2017	30,794	198,373	2,256	231,423

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 28).

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

18) Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2015	429,324	42,822	472,146
Acquisitions	62,177	10,714	72,891
Disposals	(16,255)	(167)	(16,422)
Profit/(Loss) for the year	(4,097)	(6,852)	(10,949)
Transfers	(5,004)	18,048	13,044
Foreign exchange translation differences	(4,654)	(2,253)	(6,907)
Balance at 31/01/2016	461,490	62,312	523,802
Balance at 01/02/2016	461,490	62,312	523,802
Acquisitions	37,209	15,539	52,749
Disposals	(24,040)	(384)	(24,424)
Profit/(Loss) for the year	(904)	(3,802)	(4,706)
Transfers	(778)	(1,020)	(1,798)
Foreign exchange translation differences	9,627	(1,516)	8,111
Balance at 31/01/2017	482,604	71,131	553,734

The guarantees and deposits relate mainly to amounts deposited with owners of leased commercial premises to ensure compliance with the conditions stipulated in the lease contracts (see Note 25), and to amounts paid to secure compliance with contracts in force.

These amounts are recognized at their repayment value as this value does not differ significantly from amortized cost.

19) Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2017 and 2016 is as follows:

	31/01/2017	31/01/2016
Trade payables	3,471,084	2,994,901
Personnel	376,759	406,187
Public entities	756,857	705,974
Other current payables	490,432	407,204
Total	5,095,132	4,514,266

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

	Current period (2016)	Current period (2015)
	Days	Days
Average period of payment to suppliers	35.56	34.02
Ratio of transactions settled	35.64	34.10
Ratio of transactions not yet settled	34.42	33.10
	Amount (euros)	Amount (euros)
Total payments made (in thousands of euros)	2,918,460	2,502,360
Total payments outstanding (in thousands of euros)	198,720	202,379

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

20) Net financial position

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

	31/01/2017	31/01/2016
Cash in hand and at banks	1,807,247	2,431,029
Short-term deposits	2,125,093	853,526
Fixed-income securities	183,572	940,972
Total cash and cash equivalents	4,115,912	4,225,527
Current financial investments	2,036,627	1,085,648
Current financial debt	(61,696)	(10,254)
Non-current financial debt	(498)	(749)
Net financial position	6,090,346	5,300,172

“Cash in hand and at banks” includes cash in hand and in demand deposits at banks. “Short-term deposits” and “Fixed-income securities” include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than 3 months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attaching to them.

“Current assets - Financial investments” on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from 3 to 12 months, all of which have high credit ratings and are highly liquid.

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

	31/01/2017			31/01/2016		
	Current	Non-current	Total	Current	Non-current	Total
Loans	61,402	-	61,402	8,511	-	8,511
Finance leases	294	498	792	1,743	749	2,492
	61,696	498	62,194	10,254	749	11,003

At 31 January 2017, the Group had a limit of Euros 4,245,710 thousand on its drawable financing facilities (Euros 3,406,509 thousand at 31 January 2016). These include reverse factoring, credit and overdraft facilities.

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

Financial debt is denominated in the following currencies:

	31/01/2017	31/01/2016
Euro	427	1,849
Turkish lira	2,333	3,562
British pound	54,471	-
Chinese yen	786	989
South Korean Won	4,177	-
Russian ruble	-	4,597
Romanian leu	-	6
	62,194	11,003

The maturity schedule of the Group's bank borrowings at 31 January 2017 and 2016 was as follows:

	31/01/2017	31/01/2016
Less than one year	61,696	10,254
Between one and five years	498	749
	62,194	11,003

21) Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2015	60,898	93,477	46,236	200,611
Provisions recorded during the year	6,359	23,652	10,686	40,696
Disposals	(652)	(56,211)	(2,360)	(59,224)
Transfers	(33,057)	(2,035)	-	(35,092)
Foreign exchange translation differences	(780)	(1,442)	524	(1,698)
Balance at 31/01/2016	32,768	57,440	55,086	145,294
Balance at 01/02/2016	32,768	57,440	55,086	145,294
Provisions recorded during the year	20,326	52,612	18,824	91,761
Disposals	(1,190)	(3,302)	(1,561)	(6,052)
Transfers	3,115	4,557	-	7,673
Foreign exchange translation differences	(133)	673	2,398	2,938
Balance at 31/01/2017	54,886	111,981	74,747	241,613

Provision for pensions and similar obligations to personnel

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2017. The estimated average payment period for the amounts provisioned is between three and five years.

Provision for liability

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

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

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

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

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

22) Other non-current liabilities

The detail of this caption in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2015	667,013	48,758	715,771
Acquisitions	140,510	12,986	153,496
Changes through profit or loss	9,445	21,104	30,549
Transfers	(54,492)	(9,117)	(63,609)
Foreign exchange translation differences	(31,243)	1	(31,242)
Balance at 31/01/2016	731,234	73,732	804,966
Balance at 01/02/2016	731,234	73,732	804,966
Acquisitions	164,567	-	164,567
Changes through profit or loss	13,758	20,592	34,350
Disposals	(3,430)	-	(3,430)
Transfers	(80,699)	(10,337)	(91,036)
Foreign exchange translation differences	10,613	23	10,636
Balance at 31/01/2017	836,044	84,010	920,053

23) Capital and reserves

Share capital

At 31 January 2017 and 2016, the Parent's share capital amounted to Euros 93,499,560, and was divided into 3,116,652,000 fully subscribed and paid shares of Euros 0.03 par value each. All shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2017 and 2016 amounted to Euros 20,379 thousand, while retained earnings amounted to Euros 3,666,407 thousand and Euros 3,334,142 thousand, respectively. The Parent's legal reserve, amounting to Euros 18,700 thousand, was recognized in compliance with Article 274 of the

Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2017 and 2016, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2017 include restricted reserves amounting to Euros 433,344 thousand (Euros 383,151 thousand at 31 January 2016) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. As the shares are represented by book entries and the Company does not keep a record of its shareholders, it is not possible to accurately ascertain the ownership structure of the Company. According to public information registered with the Spanish National Securities Market Commission (CNMV), at 31 January 2017 and 2016 the members of the Board of Directors owned, directly or indirectly, 59.36% of the Parent's share capital (see Note 30). At 31 January 2017 and 2016, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2016 and 2015 amounted to Euros 1,868,190 thousand and Euros 1,618,839 thousand, respectively. These amounts correspond to payments of euro 0.60 per share in 2016 and euro 0.52 per share in 2015.

The distribution of profit proposed by the Board of Directors is shown in Note 29.

Treasury shares

The annual general shareholders' meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan (see Note 27) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Similarly, the annual general shareholders' meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 27) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 1 February 2016, the Company owned a total of 3,500,000 treasury shares, representing 0.112% of the share capital. In 2016, settlement of the first cycle (2013-2016) of the 2013-2017 Long-Term Share-Based Incentive Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned first cycle of the Plan.

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 3,610,755, representing 0.116 % of the share capital at 31 January 2017.

24) Income taxes

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

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

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

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

The balance of "Income tax payable" in the consolidated balance sheet corresponds to the 2016 income tax provision, net of withholdings and payments on account made during the period. "Trade and other payables" includes the liability relating to the other applicable taxes.

The balance of "Income tax receivable" in the consolidated balance sheet essentially corresponds to amounts recoverable from the tax authorities. The balance of "Trade and other receivables" in the accompanying consolidated balance sheet includes mainly the amount by which the input VAT exceeded output VAT.

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

The income tax expense comprises the following:

	2016	2015
Current taxes	995,032	838,854
Deferred taxes	(77,818)	22,063

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statements for 2016 and 2015 is as follows:

	2016	2015
Consolidated accounting profit for the year before taxes	4,078,319	3,743,118
Tax expense at tax rate in force in the country of the Parent (30%)	1,019,580	1,048,073
Net permanent differences	(175,179)	(166,149)
Effect of application of different tax rates	(73,964)	(129,728)
Adjustments to prior years' taxes	38,355	26,308
Tax withholdings and other adjustments	116,515	96,407
Adjustments to deferred tax assets and liabilities	5,435	1,574
Tax withholdings and tax benefits	(13,528)	(15,568)
Income tax expense	917,214	860,917

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

As permitted by the prevailing tax legislation in each country, consolidated Group companies availed themselves of tax benefits amounting to Euros 13,528 thousand in 2016 (Euros 15,568 thousand at 31 January 2016). These tax benefits relate mainly to tax credits for investments and, to a lesser extent, to tax relief.

The temporary differences are the differences between the carrying amounts of assets or liabilities and their tax base. The consolidated balance sheet at 31 January 2017 reflects the deferred tax assets and liabilities at that date.

The detail of “Deferred tax assets” and “Deferred tax liabilities” in the accompanying consolidated balance sheet is as follows:

Deferred tax assets arising from:	2016	2015
Provisions	105,035	87,456
Non-current assets	143,479	153,496
Lease incentives	48,026	35,786
Valuation adjustments	47,940	43,207
Tax losses	101,046	101,537
Intra-Group transactions	180,948	158,938
Other	95,555	113,009
Total	722,029	693,429

Deferred tax liabilities arising from:	2016	2015
Leases	651	1,497
Intra-Group transactions	133,602	100,331
Non-current assets	51,933	99,201
Valuation adjustments	31,704	42,026
Other	39,253	42,140
Total	257,143	285,195

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

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

The movement in deferred tax assets and liabilities in 2016 and 2015 was as follows:

	2016	2015
	Deferred tax assets	Deferred tax assets
Opening balance	693,429	643,574
Charge/Credit to profit or loss	30,401	64,881
Charge/Credit to equity	1,333	(14,919)
Transfers	(3,134)	(107)
Closing balance	722,029	693,429

	2016	2015
	Deferred tax liabilities	Deferred tax liabilities
Opening balance	285,195	240,825
Charge/Credit to profit or loss	(43,009)	62,132
Charge/Credit to equity	18,091	(17,655)
Transfers	(3,134)	(107)
Closing balance	257,143	285,195

At 31 January 2017, the Group had tax losses of Euros 415,719 thousand (Euros 399,889 thousand at 31 January 2016) which may be offset against future profits. The foregoing detail of deferred tax assets includes those relating to tax loss carryforwards, with a balance of Euros 101,046 thousand at 31 January 2017. The Group, based on the methodology established for verifying the existence of indications of impairment on its non-current assets (see Note 2.2.g), constructs the assumptions for analyzing the existence of sufficient taxable profits in the future to make it possible to offset the tax losses before they become statute-barred. Also, the Group takes into account the reversal at the same taxable entity of deferred tax liabilities relating to the same taxation authority that might give rise to sufficient taxable amounts against which it can offset the unused tax losses. Therefore, the balance of deferred tax assets recognized in the consolidated balance sheet is the result of the aforementioned analysis of the total amount of tax losses reported by the Group at year-end which, for the most part, are not subject to any effective statute-of-limitations period.

Also, certain companies forming part of the consolidated Group have reserves which could be taxable if distributed. These consolidated annual accounts include the tax effect associated with such a distribution to the extent that it is probable that it will occur in the foreseeable future. The deferred tax liabilities associated with investments in subsidiaries, associates and permanent establishments, which were not recognized because the Group opted to avail itself of the exception provided for in IAS 12, amounted to Euros 21.14 million.

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

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

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

25) Operating leases

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

- ownership of the asset is not transferred to the lessee by the end of the lease term;
- the lessee does not have an option to purchase the leased asset;
- the leases have an initial term of between 15 and 25 years, which is shorter than the estimated useful life of assets of this nature (see Note 2.2.c);
- at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

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

In many cases the lease contracts simply establish a fixed lease payment, normally made on a monthly basis and adjusted for inflation based on a price index. In other cases the amounts payable to the lessor are determined as a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may have guaranteed minimum amounts or certain specific calculation rules attached. In some countries lease contracts are subject to periodic market rent reviews, and this is sometimes conducted on an upward-only basis (i.e. rent is reset upward to higher, but not downward to lower, market rates). Occasionally, escalating rental payments are agreed, which means cash outflows can be reduced during the initial years of the use of commercial premises, even though the expense is recognized on a straight-line basis (see Note 2.2.q). Rent-free periods are also frequently established in order to avoid having to pay rent when stores are being refurbished and prepared for opening.

Lease contracts also sometimes require the lessee to pay certain amounts to the lessor which, from an economic perspective, could be considered to be advance rental payments, or to pay amounts to the previous tenants so that they waive certain rights or transfer them to the Group (leasehold assignment rights or various types of indemnities). These amounts are recognized as non-current assets (see Note 15) and are generally amortized over the term of the lease.

On certain occasions, shopping center developers or the proprietors of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are treated as lease incentives (see Note 22) and are taken to income on a straight-line basis over the lease term.

There is also a wide variety of different lease terms, and leases generally have an initial term of between 15 and 25 years. However, as a result of legislation in certain countries or the purposes for which lease contracts are habitually entered into, in some cases the term of the lease is shorter.

In some countries, legislation or the lease contracts themselves safeguard the ability of the lessee to terminate the lease at any time during its term, provided that it gives the owner prior notice, as previously agreed (e.g. three months' notice), of its decision to do so. In other cases, however, the Group is obliged to see out the full term of the lease contract, or at least a significant portion thereof. Some contracts combine these obligations with get-out clauses that may only be exercised at certain times during the term of the contract (e.g. every five years or at the end of the tenth year).

The detail of the operating lease expense is as follows:

	2016	2015
Minimum payments	1,819,582	1,728,979
Contingent rents	401,458	358,455
	<u>2,221,040</u>	<u>2,087,434</u>
Sublease income	4,528	4,340

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

	2016			2015		
	Less than one year	One to five years	Over five years	Less than one year	One to five years	Over five years
Lease payments	1,384,842	2,357,796	1,239,287	1,326,313	2,314,019	1,349,112

26) Financial risk management policy and financial instruments

Financial risk management policy

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

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

Foreign currency risk

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

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

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

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

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

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

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2016, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

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

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

The Group uses the cash-flow-at-risk (CFaR) methodology to estimate the potential loss in the Group's consolidated profit before tax and financial results arising from the effect of changes in exchange rates on the equivalent value of expected foreign currency cash flows in the following year. CFaR is calculated using probabilistic simulation and considering volatilities and correlations based on market series for the last three years. It is necessary to bear in mind the limitation that actual market changes and the magnitude and time horizon of the exposures may differ from the assumptions considered for the CFaR calculation. The potential negative impact is calculated with a confidence level of 95%. The impacts for each of the currencies are aggregated, considering their correlations, in a portfolio of exposures, which reduces the value of the total risk. It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate, could be Euros 267 million at 31 January 2017 (Euros 137 million at 31 January 2016).

Credit risk

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

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

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

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

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

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

In relation to credit risk arising from commercial transactions, impairment losses are recognized for trade receivables when objective evidence exists that the Group will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognized in the consolidated income statement. In 2016 there were no significant additions to or reversals of impairment losses in this connection.

At 31 January 2017 and 2016, there were no material outstanding balances. Furthermore, based on available historical data, the Group does not consider it necessary to make valuation adjustments to receivables which are not past due. The fair value of the receivables does not differ from their carrying amount.

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

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 20).

Note 20 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

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

- Cash and cash equivalents: given the Group's investment policy (see Note 20), any changes in interest rates at year-end would not significantly affect consolidated profits.
- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.
- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 2.2.g).
- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

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

Country risk

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

The outcome of the referendum held on 23 June 2016 on the United Kingdom's continued membership of the European Union was an unexpected shock that brought added uncertainty to the markets. Nevertheless, its impact on the Group in 2016 was not significant. The depreciation of the pound sterling as a result of the Brexit vote did not trigger a material increase in foreign currency risk, in view of the behavior of the Group's currency exposure portfolio due to its high level of diversification and the foreign currency risk management policy in place.

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

At 31 January 2017, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

At 31 January 2017, the Group did not operate in markets in which there was more than one exchange rate.

Capital management

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

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 29.

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

Financial instruments

At 31 January 2017 and 2016, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under “Other financial assets” or “Other financial liabilities” depending on the related balance.

The detail of “Other financial assets” and “Other financial liabilities” in the consolidated balance sheet is as follows:

Other financial assets	2016	2015
Fair value of the hedging instruments	86,923	45,751
Total	86,923	45,751

Other financial liabilities	2016	2015
Fair value of the hedging instruments	39,562	50,264
Reciprocal call and put options (Notes 6)	24,123	18,272
Total	63,685	68,536

The detail of the fair value (measured as indicated in Note 2.2.o) of the hedging instruments for 2016 and 2015 is as follows:

2016

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2016	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2015
OTC Derivatives						
Foreign currency forwards	2	80,983	52,644	(36,439)	19,048	45,729
Options	2	5,901	-	-	5,901	-
Zero-premium option combinations	2	39	17	-	-	22
Total Derivates		86,923	52,661	(36,439)	24,950	45,751

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2016	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2015
OTC Derivatives						
Foreign currency forwards	2	25,195	(17,339)	(457)	9,357	33,634
Zero-premium option combinations	2	1	(25)	-	-	26
Cross Currency Swap	2	14,366	(474)	-	(1,722)	16,562
Interest rate Swap	2	-	(41)	-	-	41
Total Derivates		39,562	(17,879)	(457)	7,635	50,264

2015

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2015	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2014
OTC Derivatives						
Foreign currency forwards	2	45,729	(71,079)	(97,569)	45,429	168,947
Cross Currency Swap	2	22	22	-	-	-
Total Derivates		45,751	(71,057)	(97,569)	45,429	168,947

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
DESCRIPTION	LEVEL	FAIR VALUE 2015	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2014
OTC Derivatives						
Foreign currency forwards	2	33,634	(13,122)	(972)	9,448	38,281
Zero-premium option combinations	2	26	26	-	-	-
Cross Currency Swap	2	16,562	277	762	(1,702)	17,226
Interest rate Swap	2	41	(164)	-	-	204
Total Derivates		50,264	(12,983)	(211)	7,746	55,711

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

Financial instruments: other information

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

	2016	2015
Cash and cash equivalents (Note 20)	4,115,912	4,225,527
Current financial investments (Note 20)	2,036,627	1,085,648
Trade receivables (Note 11)	231,799	163,765
Receivable due to sales to franchises (Note 11)	232,884	229,873
Other current receivables (Note 11)	118,152	122,288
Guarantees (Note 18)	482,604	461,490
Total	7,217,978	6,288,591

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

The fair value of financial assets and liabilities measured at amortized cost does not differ substantially from their carrying amount, taking into account that in the majority of cases collection or payment will be made in a short time frame. In 2016 no significant impairment losses were recognized on financial assets.

27) Employee benefits

Defined benefit or defined contribution plan obligations

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

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

Long-term incentive plans

2013-2017 Long-Term Share-Based Incentive Plan

The annual general shareholders' meeting held on 16 July 2013 resolved to launch the 2013-2017 Long-Term Share-Based Incentive Plan (the "**2013-2017 Plan**") for members of the management team and other personnel of Inditex and of its corporate Group. Under the 2013-2017 Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive a number of shares up to the maximum number allocated to each of them.

The 2013-2017 Plan consists of two mutually independent time cycles. The first cycle of the 2013-2017 Plan ran from 1 July 2013 to 30 June 2016 (now ended). The second cycle of the Plan is from 1 July 2014 to 30 June 2017.

The amount relating to this plan is recognized under "Equity" in the consolidated balance sheet and the period charge is recognized under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

The 2013-2017 Plan does not expose the Group to any material risks.

To cater for this 2013-2017 Long-Term Share-Based Incentive Plan, the Group acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23).

The number of shares to be delivered to beneficiaries is calculated on the basis of the metrics indicated in the fifth resolution of the annual general shareholders' meeting held on 16 July 2013.

2016-2020 Long-Term Incentive Plan

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

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

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

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

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

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

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

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

The incentive to be received will be calculated as provided for in the seventh resolution of the annual general shareholders' meeting held on 19 July 2016.

Extraordinary profit-sharing plan

In view of the Group's performance in recent years, the Board of Directors of Inditex approved an extraordinary plan for 2015-2016 to allow employees to share in the growth of profits. The plan is intended for all the employees of the stores, manufacturing and logistics centers, and concepts and subsidiaries around the world with a length of service of more than two years at the Group. Among all those participating in the plan, the Group will distribute 10% of the year-on-year increase in net profit attributable to the Parent of the Group, up to a maximum of 2% of total net profit. In 2016 more than 84,000 employees worldwide were plan beneficiaries (2015: more than 78,000 employees).

The plan has a two-year duration, covering the 2015 and 2016 reporting periods. The first phase of the plan was executed in April 2016 taking into account the increase in the net profit attributable to the Parent of the Group in 2015 as compared with 2014. The second phase will be executed in 2017, in accordance with the criteria described in Note 6.

The liability relating to this plan is recognized under "Trade and other payables" in the consolidated balance sheet and the related period charge is reflected under "Operating expenses" and "Other losses and income, net" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

28) Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent Tempe, S.A. and its subsidiaries, the detail of which is shown in the following table. The core activity of these companies is basically the design, supply and distribution of footwear for the various retail formats of the Inditex Group, which is their main customer.

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

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

	2016	2015
Property, plant and equipment	159,896	153,536
Others	24,990	23,578
Non-current assets	184,886	177,114
Inventories	240,929	207,737
Trade and other receivables	351,323	293,632
Cash and cash equivalents	41,767	32,920
Current assets	634,018	534,290
Non-current liabilities	(48,065)	(32,109)
Trade and other payables	(338,409)	(278,470)
Others	(6,406)	(20,739)
Current liabilities	(344,815)	(299,210)
Net assets	426,025	380,084
Revenues	1,237,575	1,117,422
Gross profit	307,846	324,890
Operating expenses	(169,323)	(152,505)
Amortization and depreciation	(21,887)	(20,872)
EBIT	116,516	152,470
Net profit	94,846	110,976

In 2016 the Group received dividends totalling Euros 27,493 thousand (Euros 22,414 thousand in 2015) from Tempe (see Note 17).

29) Proposed distribution of the profit of the Parent

The directors will propose that Euros 2,116,868 thousand of 2016 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of Euros 0.50 gross per share and an extraordinary dividend of Euros 0.18 gross per share on the total outstanding shares, and that Euros 98,857 thousand be taken to voluntary reserves.

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

Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and senior management of the Company in 2016 is shown in the section on related party transactions.

Other information concerning the Board of Directors

According to the public registers of the Spanish National Securities Market Commission (CNMV), at 31 January 2017 the members of the Board of Directors held the following direct and indirect investments in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
Mr Pablo Isla Álvarez de Tejera	1,866,227	-	0.0598%
Mr Amancio Ortega Gaona	-	1,848,000,315 ¹	59.294%
Mr José Arnau Sierra	30,000	-	0.001%
PONTEGADEA INVERSIONES, S.L.	1,558,637,990	-	50.010%
Ms Denise Patricia Kingsmill	-	-	-
Mr José Luis Durán Schulz	1,700	-	-
Mr Rodrigo Echenique Gordillo	-	-	-
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	-	0.005%
Mr Emilio Saracho Rodríguez de Torres	-	-	-
Total			59.36%

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

As established in Article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Act in order to improve corporate governance, it is hereby disclosed that the directors did not report any situation of direct or indirect conflict of interest that they or persons related to them might have with the Parent. Two of the directors each notified the Board of Directors of a potential conflict of interest, of which the Board took due Note. These conflicts of interest did not materialise in 2016. At the date of formal preparation of the consolidated annual accounts, the two concerned directors had reported that the potential conflicts of interest no longer existed.

When the Board of Directors deliberated on the appointment or re-election of a director, on the acknowledgment and acceptance of his/her resignation, on the placement of his/her office at the disposal of the Board, on

remuneration or on any other resolution involving a director or a person or company related to a director, the person concerned left the meeting room during the deliberation of and voting on the corresponding resolution.

Related party transactions

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

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

Inditex Group companies

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

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

Transactions:

Thousands of euros

Type of company	2016	2015
Jointly controlled entities	(960,402)	(817,446)

Balances:

	31/01/17	31/01/16
Current financial investments	423	2,634
Trade and other receivables	4,801	4,121
Non-current financial investments	218,876	181,112
Trade and other payables	204,813	250,636
Current financial debt	421	288

The transactions with significant shareholders, members of the Board of Directors and management are detailed below.

Significant shareholders

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

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(39,636)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	171
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Assets Disposal	24,600
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	6
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	11,354
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1,119)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Other expenses	(3)

In 2015 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Financial year 2015:

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(33,726)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	171
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	70
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	6,090
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1,020)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Other expenses	(180)

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

Members of the Board of Directors and management

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2016:

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

	Type	Remuneration of Board Members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Committees Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2016
Mr Pablo Isla Álvarez de Tejera	Executive	100	0	0	0	3,250	3,627	3,395	10,372
Mr José Arnau Sierra	Proprietary	100	80	150	0	0	0	0	330
Mr Amancio Ortega Gaona	Proprietary	100	0	0	0	0	0	0	100
PONTEGADEA INVERSIONES S.L. (1)	Proprietary	100	0	0	0	0	0	0	100
Ms Irene R. Miller (2)	Independent	46	0	70	23	0	0	0	139
Ms Denise Patricia Kingsmill (3)	Independent	54	0	80	0	0	0	0	134
Mr José Luis Durán Schulz (4)	Independent	100	0	150	27	0	0	0	277
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100	0	150	0	0	0	0	250
Mr Rodrigo Echenique Gordillo	Independent	100	0	150	50	0	0	0	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	0	150	50	0	0	0	300
TOTAL		900	80	900	150	3.250	3.627	3.395	12.302

Notes:

(1) Represented by Ms Flora Pérez Marcote

(2) Cessation of employment at 18 July 2016

(3) Appointment at 19 July 2016

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

An itemized breakdown of the remuneration of the members of the Board of Directors in 2015 is as follows:

	Type	Remuneration of Board Members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2015
Mr Pablo Isla Álvarez de Tejera	Executive	100	0	0	0	3,250	3,300	5,520	12,170
Mr José Arnau Sierra	Proprietary	100	80	127	0	0	0	0	307
Mr Amancio Ortega	Proprietary	100	0	0	0	0	0	0	100
GARTLER, S.L. (1)	Proprietary	85	0	0	0	0	0	0	85
PONTEGADEA INVERSIONES S.L. (2)	Proprietary	15	0	0	0	0	0	0	15
Ms Irene R. Miller	Independent	100	0	127	50	0	0	0	277
Mr Nils Smedegaard Andersen (3)	Independent	45	0	45	0	0	0	0	90
Mr José Luis Durán Schulz (4)	Independent	55	0	82	0	0	0	0	137
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100	0	127	0	0	0	0	227
Mr Rodrigo Echenique Gordillo	Independent	100	0	127	50	0	0	0	277
Mr Emilio Saracho Rodríguez de Torres	Independent	100	0	127	27	0	0	0	254
TOTAL		900	80	762	127	3,250	3,300	5,520	13,939

Notes:

(1) Represented by Ms Flora Pérez Marcote. Cessation of employment at 8 December 2015

(2) Represented by Ms Flora Pérez Marcote. Appointment at 9 December 2015

(3) Cessation of employment at 13 July 2015

(4) Appointment at 14 July 2015

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

MANAGEMENT

Remuneration	31,379
Termination benefits	-

The total remuneration and termination benefits earned by senior management of the Inditex Group in 2015 were as follows:

MANAGEMENT

Remuneration	36,220
Termination benefits	-

The aforementioned remuneration for 2016 includes the amount vested in 2016 of the first cycle (2013-2016) of the 2013-2017 Plan for members of the management team and other personnel of the Inditex Group, which was approved by Inditex in 2013 (the features of which are described in Note 27). The incentive vested in 2016 under the aforementioned plan amounted to Euros 3,395 thousand for directors and Euros 7,638 thousand for senior management. The amounts vested in 2015 under the Long-Term Cash-Settled Incentive Plan were Euros 5,520 thousand for directors and Euros 14,444 thousand for senior management and were paid in the first half of the 2016 reporting period.

In 2016 and 2015 no contributions were made to the defined contribution benefit plan.

31) External auditors

In 2016 and 2015 the fees for financial audit and other 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, were as follows:

	2016	2015
Audit services	6,100	5,678
Other assurance services	479	437
Total audit and similar services	6,579	6,115
Tax advisory services	116	306
Other services	65	726
Total professional services	6,760	7,147

The figures in the table above include the fees for services rendered in 2016 and 2015, irrespective of the date they were invoiced.

In addition to the audit of the Inditex Group annual accounts, the audit services rendered by Deloitte in 2016 and 2015 include certain audit work related to the external audit.

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

The fees for financial audit services provided by auditors other than the principal auditor amounted to Euros 58 thousand in 2016.

32) Environment

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

33) Events after the reporting period

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

34) Explanation added for translation to English

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

Appendix I- Composition of the Inditex Group

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

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

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Massimo Dutti Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
BCN Diseños, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Massimo Dutti	Real estate
Liprasa Cartera, S.L.	100.00%	Madrid - Spain	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Massimo Dutti, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Massimo Dutti	Dormant
Massimo Dutti Hong Kong Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z o.o.	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100.00%	Bucharest-Romania	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100.00%	Macao- China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Česká Republika, s.r.o	100.00%	Prague - Czech Republic	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100.00%	Beijing- China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Korea, LTD	100.00%	Korea	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Massimo Dutti	Design
Massimo Dutti Commercial Shanghai CO, LTD	100.00%	Shanghai- China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Österreich, GMBH	100.00%	Vienna - Austria	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100.00%	Montreal - Canada	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V. Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100.00%	Helsinki - Finland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
MD Benelux, N.V.	100.00%	Bruges - Belgium	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Italco Moda Italiana, LDA.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Japan, Co.	100.00%	Tokyo - Japan	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Magyarország KFT	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Master Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti India Private Ltd	51.00%	Gurgaon-India	Full Consol.	31-Mar.	Massimo Dutti	Retail sales
ITX Merken, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Services
Pull & Bear España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ithrac. Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Polska, Sp z o.o	100.00%	Warsaw- Poland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100.00%	Moscow- Russia	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100.00%	London - UK	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100.00%	Bucharest-Romania	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100.00%	Beijing- China	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Hong Kong LTD	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Design
Pull & Bear Macau, LTD	100.00%	Macao- China	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100.00%	Vienna - Austria	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pul & Bear Taiwan, B.V. Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Korea, LTD	100.00%	Korea	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Logistics

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

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

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

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

Consolidated directors' report at 31 January 2017

(Amounts expressed in millions of Euros)

Situation of the entity

Inditex is a global fashion group with a presence on five continents, 93 markets and in both the Northern and Southern hemispheres, which engages mainly in the retail of fashion, principally apparel, footwear, accessories and textile products for the home. Inditex carries out its activity through various commercial concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.

Each format's commercial activity is carried out through a global, fully integrated store and online model managed directly by companies in which Inditex holds all or the majority of the share capital, with the exception of certain countries where, for various reasons, the retail selling activity is performed through franchises.

Inditex's business model is a flexible, integrated and customer-orientated model with a clear multi-channel and multi-concept strategy.

The business model encompasses all the phases of the value chain: design, manufacturing and supply, distribution, logistics and retail sales. The offer of an attractive combination of fashion at competitive prices, the constant renewal of designs and delivery to stores between twice and six times a week place the customer at the center of the Group's strategy. The reporting of information on a daily basis from the stores makes it possible to update collections on an ongoing basis.

The Group's logistics system facilitates continuous deliveries from the distribution centers of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centers for each concept in which inventory is stored and distributed to stores worldwide.

Organizational structure

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

- General Meeting
- Board of Directors
- Executive Committee

- Audit and Control Committee
- Nomination Committee
- Remuneration Committee
- Compliance Committee
- Ethics Committee

Business performance and results

Key financial and non-financial indicators

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

In FY2016, Inditex achieved a strong operating performance. Net sales reached €23.3 billion, with sales growth of 12%. Currency translation was -3%.

Like-for-like sales increased 10% in FY2016 (11% in first half and 9% in second half) on 8.5% in FY2015. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2016 and 2015) and online. This represents 80% of total sales.

In FY2016 Inditex new space in prime locations increased 8%. Total selling area at FYE reached 4,410,896 square metres:

	2016	2015	16/15
Zara	2,705,417	2,523,388	7%
Pull&Bear	387,023	351,799	10%
Massimo Dutti	251,157	233,084	8%
Bershka	485,966	456,914	6%
Stradivarius	299,391	271,386	10%
Oysho	101,960	92,891	10%
Zara Home	168,218	146,866	15%
Uterqüe	11,764	10,576	11%
Total	4,410,896	4,086,904	8%

Net store openings in FY2016 amounted to 279 reaching a total of 7,292 stores in 93 markets. In FY2016 Inditex opened stores in 56 markets.

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

Net openings by quarter:

Concept	1Q 2016	2Q 2016	3Q 2016	4Q 2016	Total 2016
Zara	18	1	30	16	65
Zara Kids	(10)	(1)	(2)	(1)	(14)
Pull&Bear	15	2	24	(4)	37
Massimo Dutti	9	0	14	2	25
Bershka	6	3	20	8	37
Stradivarius	9	3	23	9	44
Oysho	8	0	13	8	29
Zara Home	18	4	19	9	50
Uterqüe	(1)	(1)	3	5	6
Total	72	11	144	52	279

Total stores at the end of each quarter:

Concept	1Q 2016	2Q 2016	3Q 2016	4Q 2016
Zara	2,020	2,021	2,051	2,067
Zara Kids	150	149	147	146
Pull&Bear	951	953	977	973
Massimo Dutti	749	749	763	765
Bershka	1,050	1,053	1,073	1,081
Stradivarius	959	962	985	994
Oysho	615	615	628	636
Zara Home	520	524	543	552
Uterqüe	71	70	73	78
Total	7,085	7,096	7,240	7,292

A list of company-managed stores and franchised stores as at FYE is included in the table below.

Company-managed stores and franchised stores at FYE 2016:

Concept	Company Managed	Franchised	Total
Zara	1,831	236	2,067
Zara Kids	146	0	146
Pull&Bear	829	144	973
Massimo Dutti	657	108	765
Bershka	919	162	1,081
Stradivarius	812	182	994
Oysho	564	72	636
Zara Home	491	61	552
Uterqüe	65	13	78
Total	6,314	978	7,292

Sales in company-managed and franchised stores:

Concept	Company Managed	Franchised
Zara	87%	13%
Pull&Bear	83%	17%
Massimo Dutti	83%	17%
Bershka	82%	18%
Stradivarius	77%	23%
Oysho	86%	14%
Zara Home	86%	14%
Uterqüe	84%	16%
Total	86%	14%

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

Net sales by concept are shown in the table below:

Million Euros	2016	2015	16/15
Zara	15,394	13,628	13%
Pull&Bear	1,566	1,417	10%
Massimo Dutti	1,630	1,498	9%
Bershka	2,012	1,875	7%
Stradivarius	1,343	1,289	4%
Oysho	509	452	13%
Zara Home	774	666	16%
Uterqüe	83	75	10%
Total	23,311	20,900	12%

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

Area	2016	2015
Europe ex-Spain	43.9%	44.0%
Asia & RoW	23.9%	23.5%
Spain	16.9%	17.7%
Americas	15.3%	14.7%
Total	100.0%	100.0%

Inditex has continued to expand its global, fully integrated store and online model. In October, Inditex launched online sales for all its concepts in Turkey, taking the total for Inditex to 41 markets. Annex III includes information regarding the markets and concepts with online sales.

Gross profit rose to €13.3 billion, 10% higher than the previous year. The Gross margin has reached 57.0% of sales (57.8% in FY2015).

Operating expenses have been tightly managed over the year and have grown by 11%, mainly as a result of the growth in sales and new retail space added. The special profit sharing plan for employees amounting to €28 million which equates to 10% of net income growth. Given the strong operating performance of Inditex in 2016 the Board of Directors has agreed a one-off additional award of €14 million to the plan. This amount is included in Other net operating income/losses.

Million Euros	2016	2015
Personnel expenses	3,643	3,335
Rental expenses	2,221	2,087
Other operating expenses	2,312	1,969
Total	8,176	7,392

At FYE 2016 the number of employees was 162,450 (152,854 at FYE 2015).

EBITDA rose to €5.1 billion, 8% higher than a year earlier. EBIT rose to €4 billion, 9% higher.

The breakdown of EBIT by concept is shown below:

EBIT by concept (€m)			EBIT/sales	ROCE
Concept	2016	2015	2016	2016
Zara	2,764	2,452	18%	30%
Pull&Bear	231	206	15%	39%
Massimo Dutti	280	273	17%	42%
Bershka	333	299	17%	58%
Stradivarius	236	274	18%	51%
Oysho	79	70	16%	47%
Zara Home	94	100	12%	25%
Uterqüe	4	4	5%	11%
Total EBIT	4,021	3,677	17%	33%

The following chart shows the breakdown of financial results:

Million Euros	2016	2015
Net financial income (losses)	14	11
Foreign exchange gains (losses)	(4)	(1)
Total	10	10

Results from companies consolidated by the equity method came to €48 million.

Net income came to €3.2 billion, 10% higher than the previous year.

Return on Equity (ROE), defined as Net income on average Shareholder's equity:

Million Euros	2016	2015
Net income	3,157	2,875
Shareholders equity - previous year	11,410	10,431
Shareholders equity - current year	12,713	11,410
Average equity	12,062	10,920
Return on Equity	26%	26%

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

Million Euros	2016	2015
EBIT	4,021	3,677
Average capital employed		
Average shareholders' equity	12,062	10,920
Average net financial debt (*)	-	-
Total average capital employed	12,062	10,920
Return on Capital employed	33%	34%

(*) Zero when net cash

Return on Capital Employed by concept:

Concept	2016	2015
Zara	30%	30%
Pull&Bear	39%	38%
Massimo Dutti	42%	43%
Bershka	58%	53%
Stradivarius	51%	65%
Oysho	47%	49%
Zara Home	25%	33%
Uterqüe	11%	12%
Total	33%	34%

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached hereto is Annex I showing the 2016 results by quarter.

Issues relating to sustainability and employees

The business model of the Inditex Group is based on the premise that all its processes must be sustainable and responsible. Inditex views sustainability as a responsibility that covers all social and environmental aspects related to its environment, in which all the professional teams that make up the Group play a role.

This responsibility is reflected in a series of commitments including most notably the responsible manufacture of goods, the traceability and integrity of the supply chain, efficient use of resources, innovation and customer service and a commitment to its employees and the community. All of these processes are carried out within Inditex under the Right to Wear principle, which defines the ethical and sustainable commitment from the Company's social and environmental point of view and which encompasses, inter alia, product health and safety processes (Clear To Wear and Safe To Wear), traceability and integrity of the supply chain (Tested To Wear), environmental processes (Green To Wear), corporate policies (Teams To Wear), and investment in the community (Social To Wear).

All suppliers and factories involved in the production process of goods for sale are obliged on an explicit and binding basis to adhere to the social responsibility and environmental values and practices. These define the Group, and are transmitted through the Sustainability Department and its purchasing teams. Inditex responds to this challenge through the creation and implementation of policies that are in tune with fundamental employment standards and environmental protection, as well as the establishment of tools for monitoring and direct cooperation with suppliers and multilateral dialogue with bodies and institutions working in these areas.

In this connection, Inditex's commitment and duty to responsible management of its supply chain involve identifying the areas of work that contribute to improving the sector's conditions in each of the countries in which the Group operates, thereby creating sustainable productive environments. The Manufacturer and Supplier Code of Conduct, and the Compliance Program that ensures its implementation, are the cornerstone on which Inditex bases its supply chain management and strengthening work.

Noteworthy among the projects in which Inditex has collaborated in order to meet the challenge posed by a sustainable manufacturing chain are the following:

- The 2014 - 2018 Strategic Plan for a Stable and Sustainable Supply Chain.
- Supply chain traceability system.
- Manufacturer and Supplier Code of Conduct Compliance Program.
- Establishment of supplier clusters as platforms for communication.
- 2016-2020 Inditex Environmental Plan: Program for improved energy, water and waste management in the Green to Wear manufacturing chain.
- Forest product policy to protect primary forests in danger of extinction.
- Product health and safety standards compliance programs Clear to Wear and Safe to Wear.
- Ready to Manufacture program to evaluate the wet textile manufacturing processes, with the aim of implementing practices to guarantee product health and safety.

- The List, by Inditex, research and quality control program for the chemical products employed in textile manufacturing.

These projects are associated with several codes and commitments assumed by Inditex, including most notably the following:

The Framework Agreement with IndustriALL Global Union (formerly ITGLWF) (www.industriall-union.org). To promote fundamental human and social rights in Inditex's manufacturing chain, including the definition of intervention and joint-action mechanisms in the manufacturing chain for the implementation of the Manufacturer and Supplier Code of Conduct. Date of adherence: 4 October 2007. On 4 May 2012 Inditex and IndustriALL signed the "Protocol to specify trade union involvement in order to strengthen the Global Framework Agreement for the manufacturing chain of Inditex". On 8 July 2014 the Framework Agreement between both parties was renewed at the headquarters of the International Labour Organization (ILO) in Geneva (Switzerland). In 2016 a new agreement was reached which allows the involvement of trade union experts in the clusters (local platforms to communicate with our stakeholders), in order to monitor, supervise and work alongside the suppliers throughout the entire supply chain.

The Accord on Fire and Building Safety in Bangladesh's Textile Industry dated 13 May 2013 (www.bangladeshaccord.org). This is an agreement between global brands and retailers and local and international trade unions and NGOs, with the aim of ensuring lasting improvements in the working conditions of Bangladesh's textile industry.

United Nations Global Compact (www.globalcompact.org). A United Nations initiative to promote social dialogue between companies and the civil society. Date of adherence: 31 October 2001.

Ethical Trading Initiative (ETI) (www.ethicaltrade.org). A platform for dialogue to improve the working conditions of workers in developing countries in the retail sector, comprising companies, international trade union organizations and non-governmental organizations. Date of adherence: 17 October 2005.

ACT (Action, Collaboration, Transformation) is a collaborative initiative between retail brands, suppliers and trade unions to promote living wages in the textile sector's supply chain. To implement this initiative, the brands included in ACT and IndustriALL Global Union executed a Memorandum of Understanding to establish the principles of freedom of association, collective bargaining and living wages in the manufacturing chains. Date signed: 13 March 2015.

The ILO's Better Work Program (www.betterwork.org). A platform to improve compliance with labor standards and the competitiveness of global supply chains. Date of adherence: 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 Program.

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

The CEO Water Mandate (www.ceowatermandate.org). A United Nations initiative to support companies in the development, application and communication of its water strategies and policies. Date of adherence: 30 June 2011.

Sustainable Apparel Coalition (www.apparelcoalition.org). A textile sector initiative to develop a common sustainability index in order to evaluate the environmental performance of suppliers during the production process. Date of adherence: 20 October 2011.

Textile Exchange (www.textileexchange.org). A platform to promote the growing of organic cotton and global sustainability in the textile sector. Date of adherence: 8 September 2010.

Better Cotton Initiative (www.bettercotton.org). An initiative that develops and promotes good practices in the traditional growing of cotton for the benefit of those who produce it, the environment and to ensure the future of the sector. Date of adherence: 1 July 2011.

Code of good tax practices. The code promotes a mutual cooperation between the tax authorities and companies. Date of adherence: 21 September 2010.

The Cotton Campaign is a global coalition of human rights, labor, investor and business organizations dedicated to improving the working conditions of the cotton sectors in Uzbekistan and Turkmenistan. Date of adherence: 26 October 2012.

Fur Free Alliance (www.infurmartion.com). Inditex forms part of the Fur Free Alliance's Fur Free Retailer Program. The Fur Free Alliance is an international coalition of organizations to protect animals, whose main objective is to end the exploitation and killing of animals for fur. Date of adherence: 1 January 2014.

Bangladesh Water PaCT (Partnership for Cleaner Textile). A four-year initiative to promote change in the Bangladesh textile sector by improving the environment of the so-called wet processes (dyeing, washing, printing and other finishes), thereby contributing to the sector's long-term competitiveness. Date of adherence: 20 June 2013.

UNI GLOBAL UNION (www.uniglobalunion.org). Promotes respect and fundamental rights, and decent work in the commercial and retail network. Date of adherence: 2 October 2009.

Health and safety standards implemented by Inditex.

Clear to Wear. Clear to Wear is the Inditex Group's general and binding product health and safety standard that relates to all its items of clothing, footwear, accessories, knitwear and furniture. The aim of this standard is to eliminate or regulate the use of substances the use of which is limited by law.

Safe to Wear. Safe to Wear is the Inditex Group's general and binding product safety standard that relates to all production processes. This standard has been prepared in accordance with the strictest and most up-to-date legislation on the subject and is designed to guarantee the safety of all products sold by Inditex.

Other environmental initiatives are carried out at the Group's facilities including most notably the implementation of ISO 14001 certified environmental management systems at head offices, central offices and all of Inditex's logistics centers; the opening and refurbishing of stores based on the Ecoefficient Store Manual: LEED/BREEAM certification of flagship stores, logistics centers and offices; emission reduction programs; packaging and waste optimization programs; waste minimization plans at logistics centers and stores; design and buyer team awareness initiatives and programs for product recycling and end of product life programs.

Inditex understands that its relationships with its employees and with the community it forms part of must be based on the principles set forth in its Code of Conduct and Responsible Practices. The policies on equal opportunities and the balance between family and working life and the integration projects constitute essential instruments for creating a work environment that encourages the personal and professional growth of the workforce.

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

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

Liquidity and capital resources

Inditex continued to show a strong financial position in FY2016.

Million Euros	31 January 2017	31 January 2016
Cash & cash equivalents	4,116	4,226
Short term investments	2,037	1,086
Current financial debt	(62)	(10)
Non current financial debt	-	(1)
Net financial cash (debt)	6,090	5,300

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

Million Euros	31 January 2017	31 January 2016
Inventories	2,549	2,195
Receivables	861	669
Payables	(5,325)	(4,591)
Operating working capital	(1,915)	(1,728)

Strong cash flow generation. Funds from Operations reached €4.4 billion in FY2016, 13% higher.

Ordinary capital expenditure for FY2016 amounted to €1.4 billion, 4% higher than the prior year.

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

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

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2017.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 20 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

As detailed in Note 25 to the consolidated annual accounts, the most significant contractual obligations related to future minimum payments under non-cancellable operating leases.

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2017, the amount of which is included in the figure for capital expenditure detailed under Issues relating to sustainability and employees.

Main risks and uncertainties

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

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

1. Business environment

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

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

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

2. Legislative and regulatory

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

The risks included in this category include risks relating to tax, customs, labor law, commercial and consumption-related regulations, intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk, which determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

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

3. Reputation

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

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

4. Human resources

The main risks relating to human resources are those arising from potential dependence on key employees and the difficulties involved in identifying and adequately retaining talent, and maintaining an adequate working environment in all the work centers.

5. Operational

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

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

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

countries and with third party logistics operators which carry out small scale distribution operations.

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

6. Financial

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

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

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected in cash or through credit or debit card payments. In any event, the Group is exposed to the risk that the (mainly financial) counterparties do not fulfil the obligations resulting from investing the Company's liquidity, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

7. Information for decision-making

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

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

8. Technology and information systems

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

9. Corporate governance

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

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

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

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

- Investment Policy.
- External Financing Policy.
- Payment Management Policy.
- Financial Risk Management Policy.
- Code of Conduct and of Responsible Practices.
- Criminal Risk Prevention Policy.
- Criminal Risk Prevention Proceedings.
- Internal Code of Conduct for matters related to Securities Markets.
- Corporate Social Responsibility Policy.

- Manufacturer and Supplier Code of Conduct.
- Occupational Risk Prevention Policy.
- Environmental Sustainability Policy.
- IT Security Policy.
- Purchasing and Contracting Policy.
- Shareholder, Institutional Investor and Proxy adviser communication and Relations policy.
- Representation by Proxy and Authorised Representative Policy and Procedure.
- Human Rights Policy.
- Compliance Policy.
- Tax Strategy and Policy.
- Procedure to Engage Auditors for the Provision of Non-Audit Services.

For more details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2016.

Significant events after the reporting period

No significant events have occurred since the reporting date.

Information on the outlook for the Group

Store & Online sales in local currencies, adjusted for the calendar effect of an extra trading day in February 2016 due to the leap year, have increased by 13% from 1 February to 12 March 2017. The Spring/Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

In FY2017 Inditex expects 450-500 gross openings and the selective absorption of 150-200 small units into neighbouring stores. Approximately 70% of the new contracts have been signed but in some cases openings may not take place in FY2017.

Online sales for Zara were launched in Singapore and Malaysia in March 2017, with Thailand and Vietnam to follow in the coming weeks. In 2017, Zara expects to launch online sales in India.

Ordinary capital expenditure in FY2017 will be approximately €1.5 billion driven mainly by the addition of new space in prime locations during the year. Ordinary capital expenditure is expected to grow below space growth in the coming years.

In view of the performance of Inditex over recent years, the Board of Directors has agreed to extend the existing special profit sharing plan for employees to FY2017 and FY2018.

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

R&D+I activities

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

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

Acquisition and sale of treasury shares

The annual general shareholders' meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan ("the **2013-2017 Plan**") aimed at management and other employees of the Inditex Group (see Note 27) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Additionally, the annual general shareholders' meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("the **2016-2020 Plan**") (see Note 27) and authorized the Board of Directors to acquire treasury shares to cater for this plan.

At 1 February 2016 the Company held 3,500,000 treasury shares. In 2016, settlement of the first cycle (2013-2016) of the 2013-2017 Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned first cycle of the Plan.

Also, in order for the Company to have the shares required for their delivery to the beneficiaries of the second cycle (2014-2017) of the 2013-2017 Plan, the Company acquired shares until it reached a total of 3,610,755, representing 0.116 % of the share capital at 31 January 2017.

Other salient information

Stock market information

Shares in Inditex saw growth of 1.5% during the financial year 2016, closing at 30.535 Euros per share on 31st January 2017, on top of a 15.5% growth during financial year 2015. The average transacted volume of shares in financial year 2016 was approximately 5.7 million per day. In the same period, the Dow Jones Stoxx 600 Retail fell by 5.3% and the Ibex 35 rose by 5.7%, following declines of 4.4% and 15.3%, respectively, in 2015.

Inditex's market capitalization stood at 95,167 million Euros at FYE 2016, up 939% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 3% decrease in the Ibex 35 index in the same period.

The dividend for FY2015 totaling Euros 0.60 per issued share was paid in May and November 2016.

Dividend policy

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

Inditex's Board of Directors will propose at the General Shareholders Meeting a dividend increase of 13%, composed of an ordinary dividend of €0.50 per share and a bonus dividend of €0.18 per share, equating to a total dividend of €0.68 per share. €0.34 would be payable on 2 May 2017 as an interim ordinary dividend and €0.34 would be payable on 2 November 2017 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2016 reached €1.9 billion.

Other disclosures

Related party transactions

Transactions with related parties are described in Note 30 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in FY2016 that substantially affected its financial position or results.

The following table shows the information on average payment periods required by Law 15/2012, of 5 July, amending Law 3/2004, of 29 December

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

Annual Corporate Governance Report

The Annual Corporate Governance Report for 2016 is available at www.inditex.com and was published in the section on Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 15 March 2017.

Alternative performance measures

The gross profit, EBITDA, EBIT, ROCE and ROE are defined in the initial Note to the consolidated annual accounts for 2016.

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

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

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

Annex I

Income statement: FY2016 quarterly results:

	1Q	2Q	3Q	4Q
Net sales	4,879	5,586	5,937	6,908
Cost of sales	(2,045)	(2,475)	(2,391)	(3,121)
Gross profit	2,834	3,111	3,546	3,787
	58.1%	55.7%	59.7%	54.8%
Operating expenses	(1,877)	(1,953)	(2,049)	(2,296)
Other net operating income (losses)	(2)	(2)	(2)	(14)
Operating cash flow (EBITDA)	955	1,157	1,495	1,477
	19.6%	20.7%	25.2%	21.4%
Amortisation and depreciation	(250)	(256)	(278)	(278)
Operating income (EBIT)	705	901	1,217	1,198
	14.4%	16.1%	20.5%	17.3%
Financial results	(0)	0	3	7
Results from companies consolidated by equity method	14	9	11	14
Income before taxes	719	910	1,231	1,219
Taxes	(163)	(207)	(280)	(267)
Net income	555	703	951	952
	11.4%	12.6%	16.0%	13.8%
Minorities	1	(0)	2	0
Net income attributable to the controlling company	554	703	949	952
	11.3%	12.6%	16.0%	13.8%

Annex II

Stores by concept and market as at 31 January 2017:

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1		1	1	1	1				5
GERMANY	77		11	20	11			18		137
ANDORRA	1		1	1	1	1	1	1	1	8
SAUDI ARABIA	34		15	14	31	44	18	6	3	165
ALGERIA	1				1	2	1	1		6
ARGENTINA	10									10
ARMENIA	2		2	2	2	2	1			11
ARUBA	1									1
AUSTRALIA	18							3		21
AUSTRIA	14		3	3	8			4		32
AZERBAIJAN	3		2	2	3	2	1			13
BAHREIN	2		2	2	1	1	1	1		10
BELGIUM	29		8	23	11		2	9		82
BOSNIA	3		3	1	3	3				13
BRAZIL	56							15		71
BULGARIA	6		5	5	7	5	5			33
CANADA	28			8				2		38
CHILE	9							2		11
CHINA	193		81	79	84	74	73	36		620
CYPRUS	6		5	4	6	6	4	4		35
COLOMBIA	13		5	5	11	11	3	3		51
SOUTH KOREA	43		5	8	6	3	2	3		70
COSTA RICA	2		2	1	2	2		1		10
CROATIA	10		6	4	9	6	3	2		40
DENMARK	4							1		5
ECUADOR	2		2	1	2	2	1			10
EGYPT	5		5	4	5	4	3	3		29
EL SALVADOR	2		2		2	1				7
UAE	11		8	11	9	6	8	8	2	63
SLOVAKIA	3		2		3	3				11
SLOVENIA	5		2	1	4	4				16
SPAIN	313	123	243	212	231	292	191	147	35	1,787
UNITED STATES	78			3						81
ESTONIA	3		1	2	1	1		1		9
PHILIPPINES	8		2	2	4	3				19
FINLAND	4			1						5
FRANCE	128	1	37	24	50	22	12	22		296
GEORGIA	3		1	3	2	2	1			12
GREECE	39	6	24	12	29	20	18	10		158
GUATEMALA	3		3	1	3	3	2	1		16
NETHERLANDS	26		8	7	15	1		4		61
HONDURAS	2		2	1	2	2		1		10
HUNGARY	8		7	3	10	8	2	2		40
INDIA	19			2						21
INDONESIA	15		11	4	7	12	1	3		53
IRELAND	9		3	2	6	3				23
ICELAND	2									2
ISRAEL	23		25	2	10	3				63
ITALY	100		53	9	60	74	46	35		377
JAPAN	100				24	11		17		152
JORDAN	3		3	3	2	5	2	2	1	21
KAZAKHSTAN	4		4	3	4	5	2	3		25
KUWAIT	6		3	2	2	2	4	3	2	24
LATVIA	4		3	2	3	1				13
LEBANON	7		5	6	8	5	5	4	1	41
LITHUANIA	5		4	5	4	4		2		24
LUXEMBOURG	3		1	1						5
MACEDONIA	1		1	1	1	1				5
MALAYSIA	9		2	5	4					20
MALTA	1		3	1	2	2	1	2		12
MOROCCO	4		2	2	2	6	3	3		23
MEXICO	79		61	37	64	36	46	25	12	360
MONACO	1									1
MONTENEGRO	1		1		1	1	1			5
NICARAGUA	1		1		1	1				4
NORWAY	4			1						5
NEW ZEALAND	1									1
OMAN	1				1	1	1	1		5
PANAMA	3		2	1	2	2	2	1		13
PARAGUAY	1							1		2
PERU	3							2		5
POLAND	47		36	26	52	72	18	11	1	263
PORTUGAL	67	16	53	41	50	44	34	26	6	337
PUERTO RICO	3									3
QATAR	4		3	3	3	1	3	3	2	22
UNITED KINGDOM	66		8	14	5	4		13		110
CZECH REPUBLIC	7		5	1	4	4				21
DOMINICAN REPUBLIC	2		1	2	2	2	2	1		12
ROMANIA	24		24	11	24	24	9	6		122
RUSSIA	95		89	52	98	86	67	44	10	541
SERBIA	4		2	2	2	2	2	1		15
SINGAPORE	9		3	4	3	1				20
SOUTH AFRICA	9							1		10
SWEDEN	12		1	4			1	4		22
SWITZERLAND	19		2	8	5			2		36
THAILAND	11		3	4	1	2		2		23
TAIWAN	9		3	5	1			2		20
TUNISIA	3		2	1	2	1	2			11
TURKEY	36		28	22	30	28	25	19		188
UKRAINE	9	0	11	5	11	11	6	0	1	54
URUGUAY	2	0	0	0	0	0	0	2	0	4
VENEZUELA	9	0	5	0	10	0	0	0	0	24
VIETNAM	1	0	0	0	0	0	0	0	0	1
INDITEX	2,067	146	973	765	1,081	994	636	552	78	7,292

Concept		Market
Since 2007	All Concepts	Europe: Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, UK, Switzerland, Norway, Finland, Poland, Romania, Croatia, Slovakia, Czech Republic, Bulgaria, Hungary, Lithuania, Latvia, Estonia, Slovenia, Malta and Turkey
2011	Zara	United States, Japan
Since 2012	All Concepts	China
2012	Massimo Dutti, Zara Home	United States
Since 2013	All Concepts	Russian Federation
2013	Zara	Canada
2014	All Concepts	Mexico
2014	Zara	South Korea
2015	Zara	Taiwan, Hong Kong, Macau
2015	Zara Home	Australia
2016	Zara Home	Dubai
2017	Zara	Singapore, Malaysia, Thailand, Vietnam and India
Progressive roll-out	All Concepts	Globally