# Annual report 2000

INDITEX

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# Chairman's Statement

Once again, Inditex's Annual Report makes public the group's results for the last fiscal year and the main aspects of its activity in 2000. As before, the data compiled in this document is proof of the efforts made by the team of people who make up this company, a team which is capable of keeping up the intense rate of growth of recent years.

During fiscal year 2000 we have continued our international expansion, and there are now thirty-three countries containing at least one of the five chains forming part of Inditex. Four of them have been incorporated as new markets over the course of the last year. This growth is reflected to the greatest extent in the number of new stores, over 150, and the overall number of outlets, which reached 1,080 on January 31 .

Last year marked the $25^{th}$ anniversary of the opening of the group's first store. A lot has changed since then, from the world we live in, to the company itself. But one thing hasn't changed - the innovative spirit and urge for improvement that was the driving force back then. Today we number over 24,000 professionals world-wide, who each day tackle the same goal that we set when we opened that first store: to satisfy the needs of our customers with the latest in fashion.

In the near future, we are going to take on new projects, which will surely oblige us to renew our commitment. We have a strong foundation, as is evidenced by our course of steady growth, profitability and commercial success. During the last fiscal year our net income rose by 27% and our net revenues by 28%. Sales in our stores located outside Spain have now exceeded 52% of the total, which confirms our international calling.

We plan to continue consolidating our presence in many of the international markets that we have recently entered, paying special attention to Europe, but without overlooking our expansion in other parts of the world. We will undoubtedly enter new countries and all of the chains in our group will continue to strive to bring their concept of fashion to new customers all over the world. As we have done up to now, we will have to continue to win the confidence of the millions of people who frequent our stores on three continents with the quality of our work. Just as we did in that first store which opened its doors in A Coruña 25 years ago, we will expose ourselves daily to public scrutiny and attempt to seduce the customer with the latest fashion, the finest design, and the most attentive service.

It gives me true satisfaction to be able to present the impressive figures included in this Annual Report 2000, not only because of the achievements they represent, but also because they are the reflection of a solid foundation for the development of our future projects.

Amancio Ortega

Chairman

# Financial highlights

| | MONETARY AMOUNTS | | | | | | G.R. | C.A.G.R. |
|---|---|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 | 2000/1999 | 2000/1998 |
| | Million Euros | | | Million Pesetas | | | | |
| **Revenues** | | | | | | | | |
| Net revenues | 2,615 | 2,035 | 1,615 | 435,049 | 338,607 | 268,665 | 28% | 27% |
| Net sales in owned stores and franchises (VAT excl.) | 2,607 | 2,000 | 1,525 | 433,693 | 332,843 | 253,818 | 30% | 31% |
| Percentage of net sales abroad | | | | 52% | 48% | 46% | | |
| **Profits and Cash flow** | | | | | | | | |
| EBITDA | 521 | 410 | 326 | 86,768 | 68,292 | 54,184 | 27% | 27% |
| EBIT | 380 | 296 | 242 | 63,208 | 49,278 | 40,183 | 28% | 25% |
| Net income before minorities | 262 | 206 | 153 | 43,579 | 34,314 | 25,440 | 27% | 31% |
| Net income after minorities | 259 | 205 | 153 | 43,133 | 34,070 | 25,480 | 27% | 30% |
| Cash-flow | 401 | 319 | 237 | 66,693 | 53,084 | 39,481 | 26% | 30% |
| **Financial Structure** | | | | | | | | |
| Shareholders' funds | 1,171 | 893 | 673 | 194,822 | 148,613 | 112,040 | 31% | 32% |
| Net financial debt | 51 | 150 | 93 | 8,420 | 24,949 | 15,477 | -66% | -46% |
| **Other Information** | | | | | | | | |
| Number of stores | | | | 1,080 | 922 | 748 | | |
| In Spain | | | | 692 | 603 | 489 | | |
| Abroad | | | | 388 | 319 | 259 | | |
| **Financial and Management Ratios** | | | | | | | | |
| Net debt on shareholders funds | | | | 4% | 17% | 14% | | |
| ROE (Net income after minorities on average shareholders' | | | | 25% | 26% | 25% | | |
| funds) | | | | 34% | 33% | 37% | | |
| ROCE (EBIT on average capital employed) | | | | 7.9 | 2.1 | 2.6 | | |
| Cash flow on net financial debt | | | | 1.8 | 2.0 | 2.0 | | |
| Net gearing (assets on shareholders' funds) | | | | 9.9 | 10.1 | 9.5 | | |
| Net income after minorities on sales in stores | | | | | | | | |


### net revenues

| | |
|---|---|
| 2000 | 435,049 |
| 00/99 | 28% |

### net income

| | |
|---|---|
| 2000 | 43,133 |
| 00/99 | 27% |

### cash flow

| | |
|---|---|
| 2000 | 66,693 |
| 00/99 | 26% |

### sales in store abroad

| | |
|---|---|
| 2000 | 52% |
| 00/99 | 48% |

### number of stores

| | |
|---|---|
| 2000 | 1,080 |
| 1999 | 922 |

### net income on sales

| | |
|---|---|
| 2000 | 10% |

# The net revenues of the group have doubled in the last three years.

In the last fiscal year, closed on January 31, 2001, Inditex achieved consolidated net revenues of 435,049 million pesetas, up 28% on the previous year. In keeping with this data, the accumulated growth during the last three fiscal years amounted to 115%. The increase in sales has gone hand in hand with parallel growth in net income, reaching 43,133 million pesetas, 27% more than the previous year.

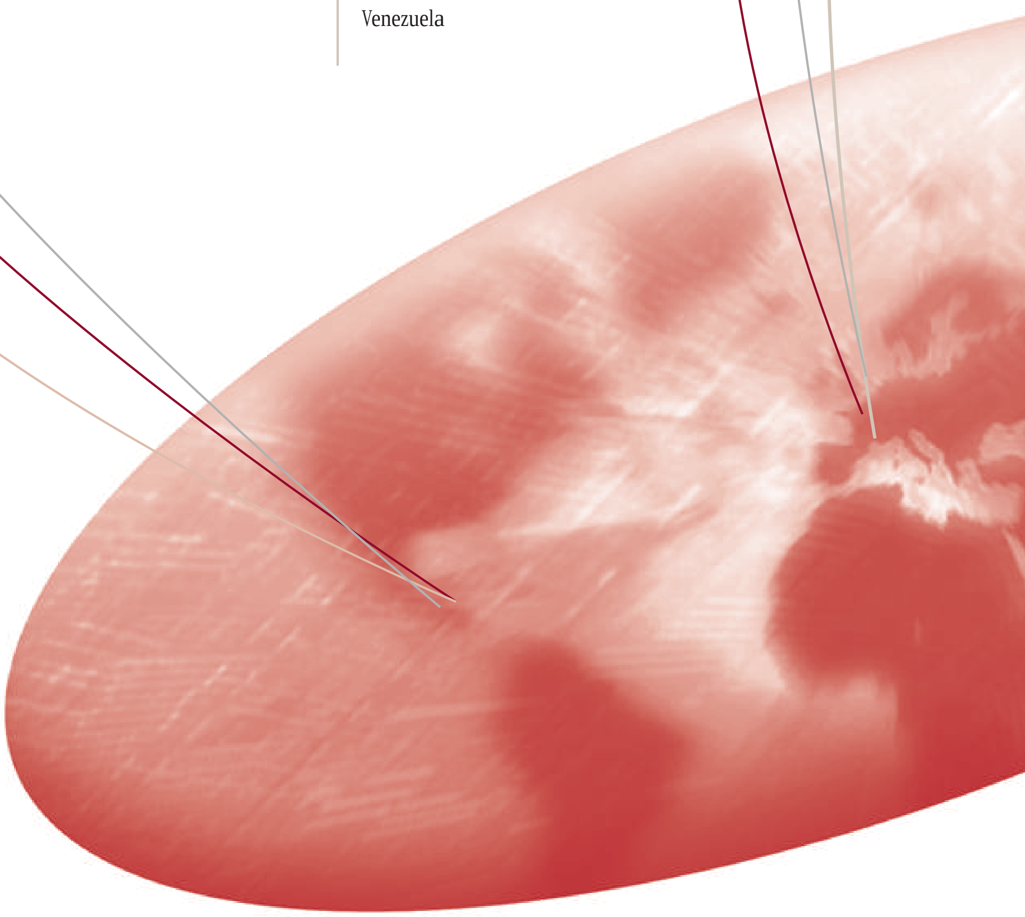
Sales in stores abroad now account for 52% of the total, as compared to 48% during the last fiscal year, which reflects the international calling of its chains. During this period the five chains that comprise the group have opened a total of 158 new stores. The net income on store

# International presence

America

71

Argentina
Brazil
Canada
Chile
Mexico
United States
Uruguay
Venezuela



number of countries

| | |
|---|---|
| 1991 | 4 |
| 1992 | 5 |
| 1993 | 6 |
| 1994 | 8 |
| 1995 | 9 |
| 1996 | 10 |
| 1997 | 14 |
| 1998 | 21 |
| 1999 | 30 |
| 2000 | 33 |

Europe

943

- Andorra
- Austria
- Belgium
- Cyprus
- Denmark
- France
- Germany
- Greece
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Spain
- Sweden
- Turkey
- United Kingdom

Asia and Middle East

66

- Bahrain
- Israel
- Japan
- Kuwait
- Lebanon
- Qatar
- Saudi Arabia
- United Arab Emirates

## Five fashion chains with 1,080 stores in 33 countries

Total number of stores on January 31, 2001

| | |
|---|---|
| Zara | 449 |
| Pull & Bear | 229 |
| Massimo Dutti | 198 |
| Bershka | 104 |
| Stradivarius | 100 |

# Five chains and one philosophy

Zara  Pull & Bear  Massimo Dutti  Bershka  Stradivarius

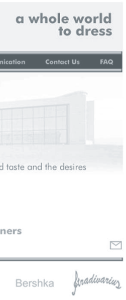

Inditex currently comprises the fashion retail chains Zara, Pull & Bear, Massimo Dutti, Bershka and Stradivarius. They all share the same objective: to bring the latest fashion trends to their respective customers.

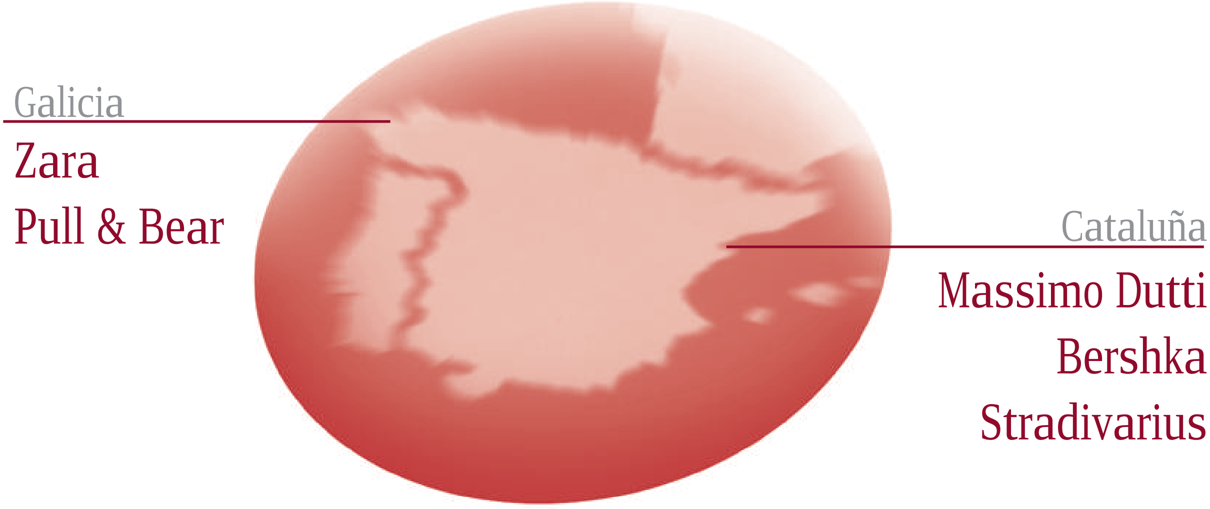
The goal of Inditex was to divide the market into segments, so the company set up some of the chains and purchased others which found in the group an ideal platform for their growth. They all share the same philosophy of marketing and management: to be leaders in their market segment by means of a flexible business model, in which a vocation for international expansion is a reality.

Each one of these chains enjoys a great deal of autonomy in the management of the business. Their management teams are free to make marketing decisions and act independently in the administration of their resources. This freedom in management that has been granted by the group has led to the development of a high degree of initiative, resulting in the enormous growth of each and every one of the commercial formats.

However, belonging to a group which has expanded to over thirty countries has given them a high level of synergy in terms of organisation and knowledge management. In this way, each management team is able to focus on the development of its own business, fully aware that certain support elements are covered by the joint experience the group has accumulated.

Inditex, the parent company of the group, is in charge of the central corporate services, that is to say, the services shared by the five chains, and which deal with international growth, administration, the use of logistics technology, the general human resources policy, legal aspects, financial capacity, etc.




In addition to performing corporate functions, Inditex also acts as the head of Zara, the first chain set up by the group, which accounts for three-quarters of the consolidated revenues.

This is the organisational model of the group: five chains sheltered by Inditex with a common philosophy expressing the belief that all business begins and ends with the customer.

## Central Services

### Corporate functions

Strategic Management
General Counsel's Office
Legal
Fiscal
Financial
Capital Markets
Administration Systems
Corporate Communications
Insurance
Human Resources

### Mixed functions

Real Estate – Expansion
Management Control
General Services
Internet

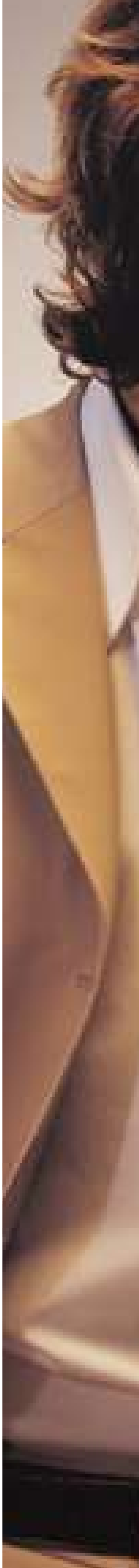
### Functions of each chain

General Management
Design
Purchasing
Product
Store Image
Store Management
Logistics
Personnel

# ZARA

In May, 1975 the first Zara store was opened in A Coruña. It was almost by chance that these four letters were arranged to form a name which, twenty-five years later, would expand to be in 29 countries on three continents, offering fashion for men, women and children in its 449 stores.

Living fashion. Every customer, every trend has a place at Zara. From Tokyo to Buenos Aires, in Paris or in New York, from London to Mexico. More than 10,000 different models are created each year in order to renew the collections every week with fresh articles. A sizeable team of designers gathers and transforms the tastes and preferences of our customers, offering new ideas.

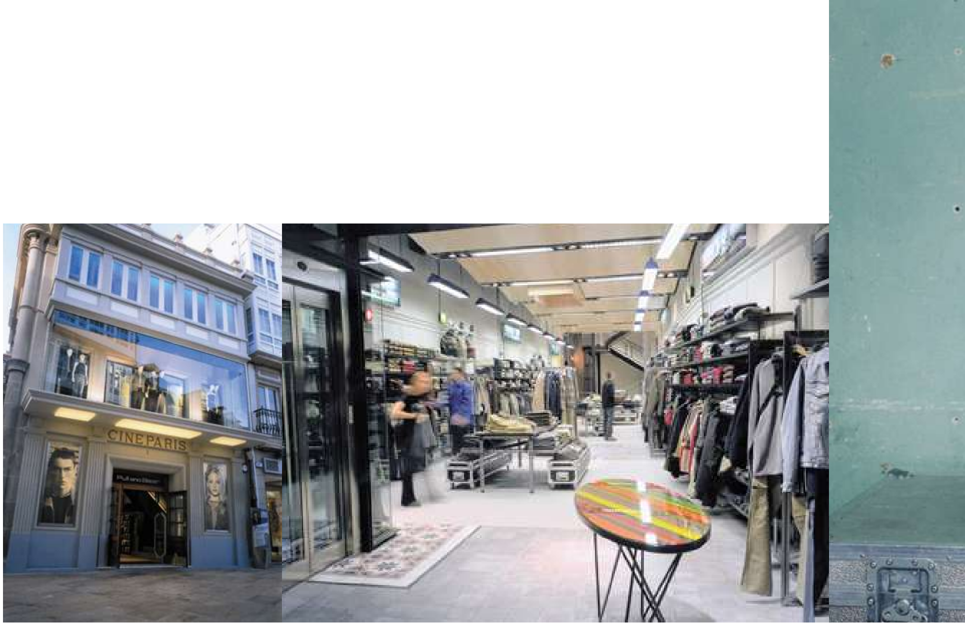


Passion for fashion. This is how we might define the attitude of the people who work at Zara stores all over the world. No matter what language they speak, they all share a universal language which conveys a quality garment, a satisfied customer and a store that offers a unique shopping experience.

What differentiates Zara's business model is the integration of all the stages of the creation of value in fashion, design and processing the fabrics, in manufacturing garments and in sale to our customers. About half of the total amount of garments bought by our clients are manufactured in the plants owned by the group. The rest are provided by suppliers, who manufacture the models designed by the creative teams of the chain. The ability to respond quickly to changing consumer tastes is the hallmark of a chain of supply which handles more than 90 million articles of clothing a year. 80% of the apparel is manufactured in Europe, with Spain and Portugal being the countries that turn out the highest volumes, both in number of garments and in value.


Between our factories and our stores: logistics. Zara's main distribution centre is located in Arteixo - A Coruña, along with the headquarters of the chain. Merchandise is shipped from this centre to all the stores several times a week. In Europe, fleets of trucks deliver the merchandise, covering a distance of more than 7 million kilometres a year. Shipments to more distant stores are made by air freight, thereby cutting the time between the placement of the order and the reception of the merchandise. In 2000 more than 9 million kilos of garments were shipped by air.

Once in the stores, our customers discover the fruits of the efforts of thousands of professionals who strive to present them with the latest trends, the finest fabrics, and the quality inherent in an international fashion chain. Their reactions will be again the impulse to start the process of creating new garments.

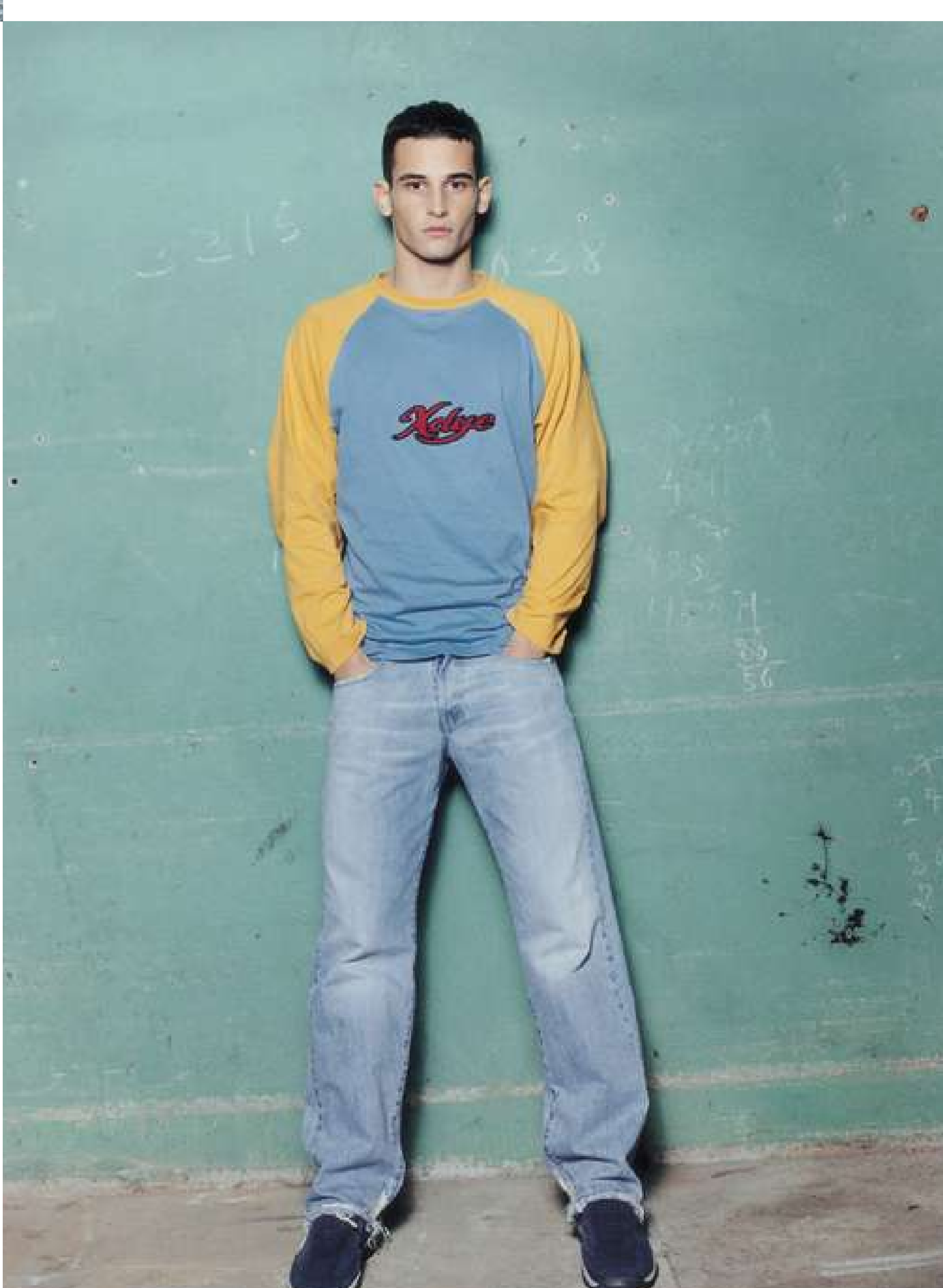



# PULL & BEAR
CLOTHING COMPANY

Pull & Bear was founded in 1991 by Inditex for the purpose of providing basic apparel for the young man. In 1998 the line of women's fashion was first introduced, putting the final touches to its commercial goal.

Young, active, informal. This is the customer that Pull & Bear targets. With 229 stores in 10 countries, its outlets attract the public through both its modern image and through its competitive prices.

Pull & Bear's headquarters, currently located in Arteixo, are scheduled to move to the municipality of Narón-Ferrol in the province of A Coruña in mid-2001, together with the new distribution centre on which the future expansion of the chain will be based. In this new location, all the teams working in the chain will continue to offer the latest trends.




# Massimo Dutti

Created in 1985, Inditex acquired an interest in 1991 and took over the company in 1995. From that time on, Massimo Dutti has increased its size and its profits tenfold, thanks to the winning combination of a motivated professional team and the support of the group to re-launch its growth.

Originally the company focused only on men's fashion. The women's line of fashion was presented in 1995. Today, both lines carry equal weight at Massimo Dutti. This chain offers high quality brand-name clothing at affordable prices for the modern, urban customer. Its range of products includes tailored suits, shirts, informal wear for leisure activities, footwear and accessories. All of this is offered to the customer in a subdued and studied atmosphere, in which every part of the store is geared towards creating a comfortable environment.

Its headquarters and logistics centre are located in Tordera (Barcelona), and supply the 198 stores spread over 12 countries.


Founded in 1998 to meet the needs of the younger female customers, Bershka is the most recent chain to be created by Inditex. In only three years it has become a symbol in the sector, closing the last fiscal year with 104 stores in four countries.

The distinct trend of its clothing and a store image conceived with its customers in mind has converted Bershka into an emblematic reference for young people between the ages of 13 and 23.

The headquarters have been located in Tordera (Barcelona) since 1999. Here each garment is painstakingly designed. This is also where the manufacturing process of the suppliers is controlled in order to guarantee top quality and assure the articles of clothing are in good condition for when they reach the store.

Like all the projects of the Group, Bershka has had a special focus on the international market since its conception. Despite its considerable prospects for growth in Spain, the company has already taken its first steps abroad, to the point that 20% of its sales in stores are made outside Spain.

Bsk
bershka.com

In 1999 Inditex acquired control of Stradivarius, because of its good commercial positioning and good potential for growth.

Stradivarius has 100 stores in 7 countries, and carries clothing geared towards young women between the ages of 15 and 25. The continuous renovation of its collections and the ability to foresee the tastes of its customers are the keys to its success. Its stores, spacious and with a young and dynamic atmosphere, offer a wide range of choice with an informal and imaginative style. Both in design and in fabric and colours, Stradivarius always focuses on the latest trends in international fashion.

Its headquarters are located in Sabadell (Barcelona). As a result of the company's growth and international expansion, they are scheduled to move to new plants located in Sallent (Barcelona) in 2002, where the new headquarters and distribution centre are presently being built.

# Business performance

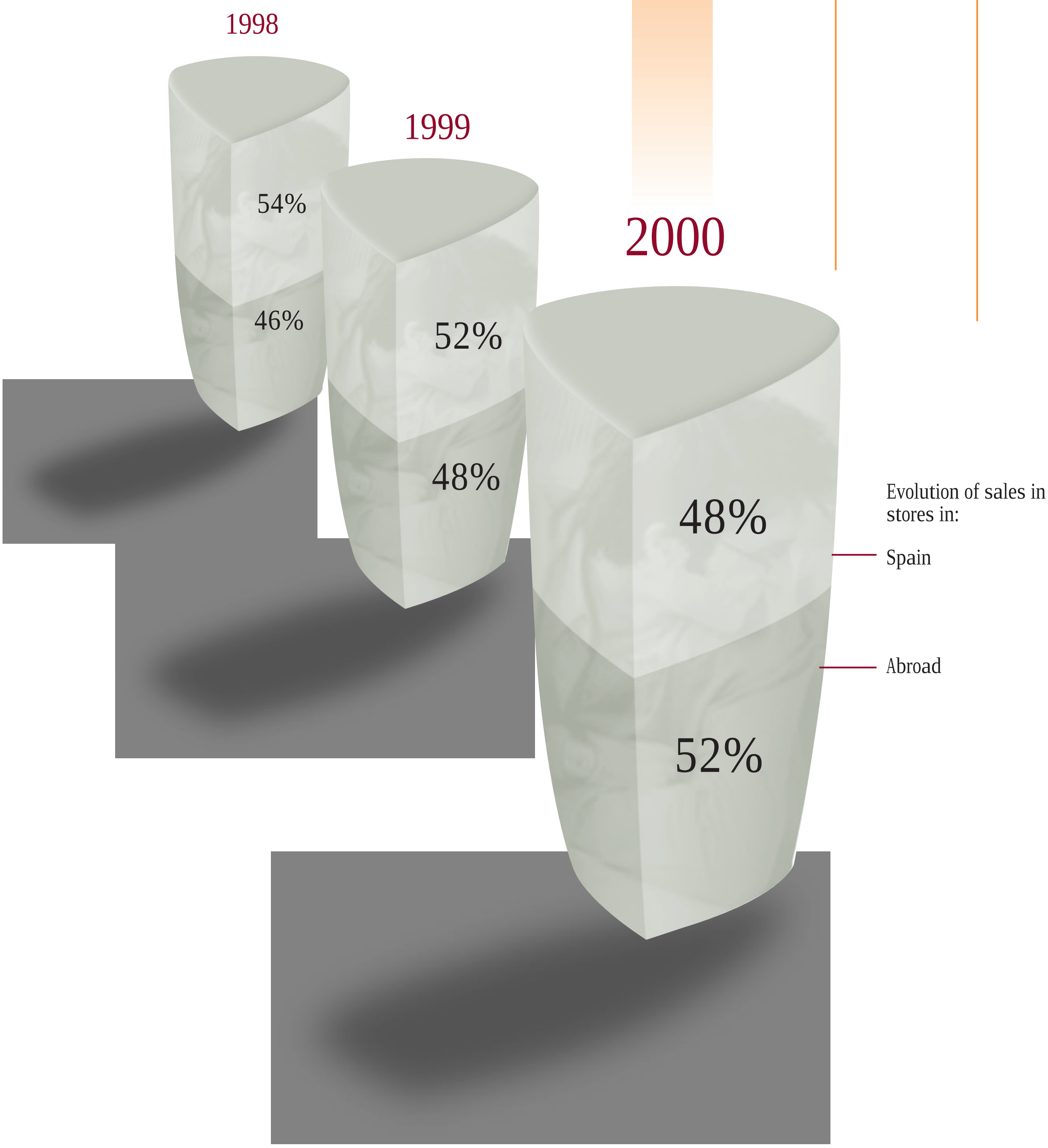
# Consistent growth

Since 1998, Inditex has maintained average annual growth in net revenues of 27%, which reached 28% in the last fiscal year. This growth was spurred on by major international expansion: In 2000, foreign sales accounted for 52% of the total. Five years earlier, they represented 30%.

The growth of the group is evidenced both by the result of its international expansion – the opening of 20 new markets in the last three years - as well as by the efficient management of the business, which registered increased sales without taking into account the new stores opened.

With its favourable ranking in the market and the growth of its chains, this group achieved a figure of over 90 million garments sold in 2000, 80% of which were manufactured in Europe, mostly at the group's own factories.

| | Net revenues | Sales (VAT excl.) in owned stores and franchises | Percentage of sales abroad |
|---|---|---|---|
| 2000 | 435,049 | 433,693 | 52% |
| 1999 | 338,607 | 332,834 | 48% |
| 1998 | 268,665 | 253,818 | 46% |



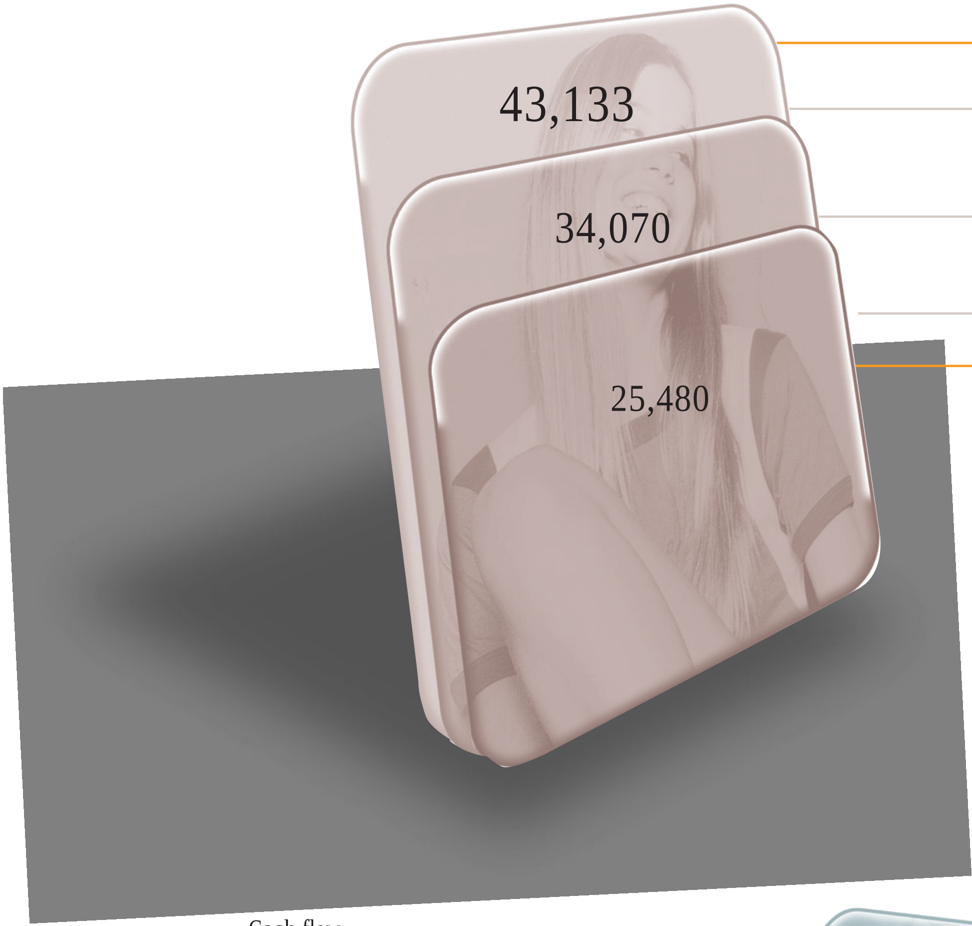
# Increases in net income and in cash flow above 25%

Net income after minorities (43,133 million pesetas) and cash flow (66,693 million pesetas) have increased by 27% and 26% respectively over the previous year. The activities of the group have generated an operative cash flow (EBITDA) of 86,768 million pesetas during fiscal 2000. The compound annual growth in net income since 1998 was 30%.

| | EBITDA | EBIT | Net income before taxes | Net income after minorities for the year |
|---|---|---|---|---|
| 2000 | 86,768 | 63,208 | 61,369 | 43,133 |
| 1999 | 68,298 | 49,278 | 48,652 | 34,070 |
| 1998 | 54,184 | 40,183 | 38,100 | 25,480 |
| G.R: | 27% | 28% | 26% | 27% |
| CAGR | 27% | 25% | 27% | 30% |

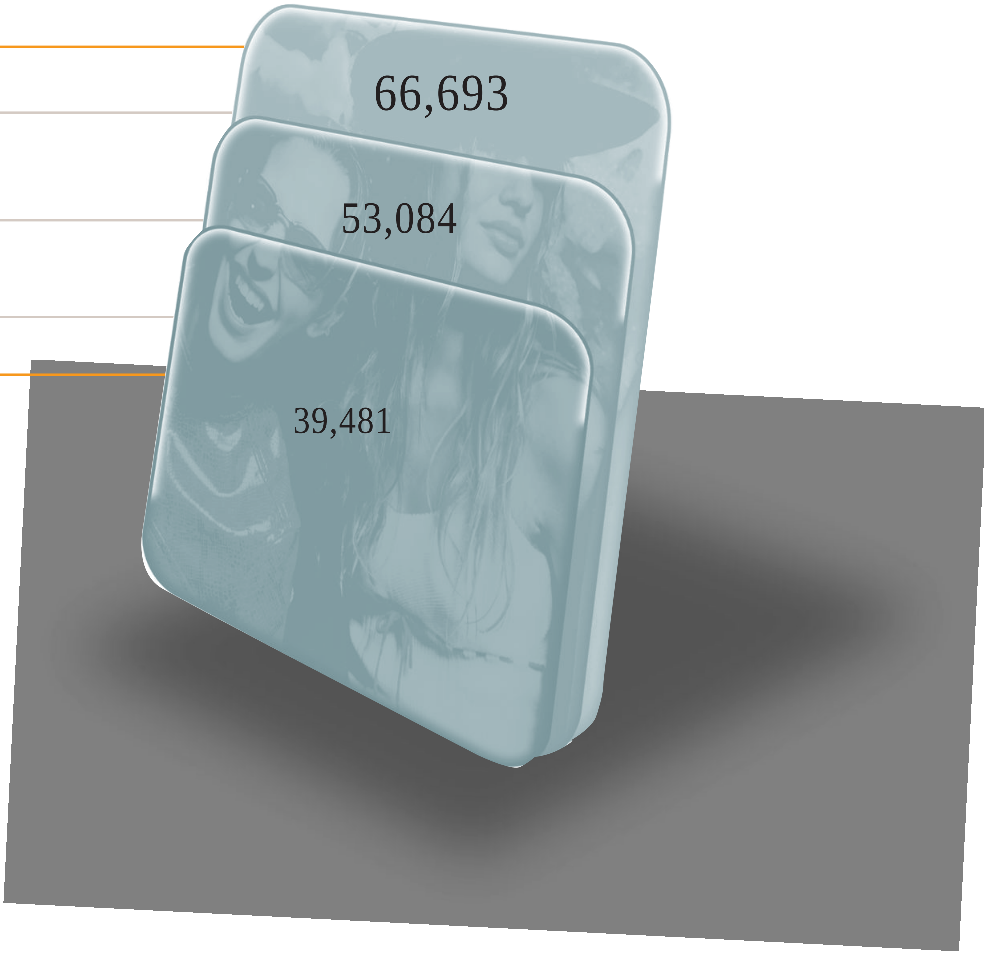
Net income after minorities

| | |
|---|---|
| 2000 | 43,133 |
| 1999 | 34,070 |
| 1998 | 25,480 |




Cash flow

| | |
|---|---|
| 2000 | 66,693 |
| 1999 | 53,084 |
| 1998 | 39,481 |




# More than 200,000 million pesetas invested in the last five years

The continued growth of the results of the group has made it possible for the company to achieve a volume of shareholder's funds amounting to 194,822 million pesetas in 2000. This figure represents an increase of 31% over the previous fiscal year, a percentage which is equivalent to the average annual increase in the last few years.

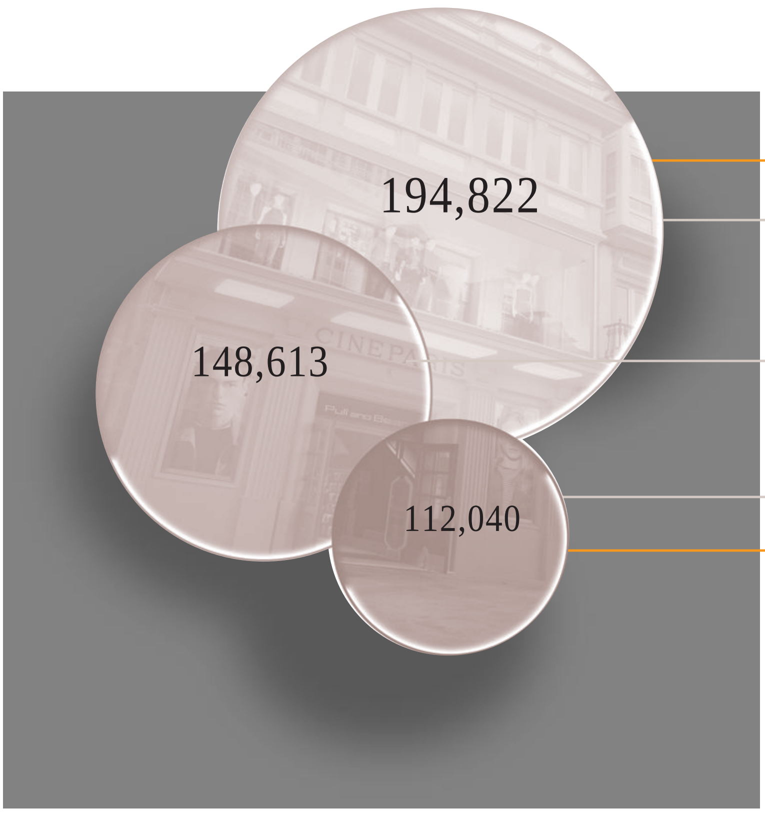
The strong investment trend stands out as being the basis for the steady growth experienced by the group. The overall investment figure during the last five fiscal years exceeded 200,000 million pesetas. In fiscal year 2000 investments exceeded 50,000 million pesetas, which has made it possible for the group to open over 150 new stores as well as setting up new distribution centres for the different chains and state-of-the-art production centres.

Investments completed in 2000

- New headquarters of the Inditex Group in Arteixo (A Coruña)
- Headquarters in Tordera (Barcelona), where the central services and logistics facilities for Massimo Dutti and Bershka are located
- Indipunt production centre in  Narón-Ferrol (A Coruña)

Investments in progress

- Pull and Bear headquarters and distribution centre in Narón-Ferrol (A Coruña)
- Stradivarius headquarters and distribution centre in Sallent (Barcelona)




Shareholder's funds

| | |
|---|---|
| 2000 | 194,822 |
| 1999 | 148,613 |
| 1998 | 112,040 |

# CONSISTENCY IN MARGINS AND FINANCIAL RATIOS

| | MONETARY AMOUNTS | | | | | | VAR. |
|---|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 | 2000/1999 |
| | Million Euros | | | Million Pesetas | | | |
| Net revenues | 2,614.7 | 2,035.1 | 1,614.7 | 435,049 | 338,607 | 268,665 | 28% |
| Cost of sales | 1,277.0 | 988.4 | 799.9 | 212,481 | 164,458 | 133,089 | |
| Gross Margin | 1,337.7 | 1,046.7 | 814.8 | 222,568 | 174,149 | 135,576 | 28% |
| *Gross margin* | 51.2% | 51.4% | 50.5% | 51.2% | 51.4% | 50.5% | |
| Operating expenses | 816,2 | 636,2 | 489,2 | 135,800 | 105,857 | 81,392 | |
| EBITDA | 521,5 | 410,4 | 325,7 | 86,768 | 68,292 | 54,184 | 27% |
| *EBITDA margin* | 19.9% | 20.2% | 20.2% | 19,9% | 20.2% | 20.2% | |
| Depreciation | 124,5 | 96,5 | 79,9 | 20,710 | 16,054 | 13,295 | |
| Goodwill amortization | 10,5 | 3,4 | 0,6 | 1,740 | 566 | 92 | |
| Provisions | 6,7 | 14,4 | 3,7 | 1,110 | 2,394 | 614 | |
| EBIT | 379,9 | 296,2 | 241,5 | 63,208 | 49,278 | 40,183 | 28% |
| *EBIT margin* | 14.5% | 14.6% | 15.0% | 14.5% | 14.6% | 15.0% | |
| Net financial charges | 13,7 | 5,6 | 5,7 | 2,283 | 929 | 946 | |
| Ordinary Income | 366,2 | 290,6 | 235,8 | 60,925 | 48,349 | 39,237 | 26% |
| *Ordinary margin* | 14.0% | 14.3% | 14.6% | 14.0% | 14.3% | 14.6% | |
| Extraordinary losses (Income) | (2,7) | (1,8) | 6,8 | (444) | (303) | 1,137 | |
| EBT | 368,8 | 292,4 | 229,0 | 61,369 | 48,652 | 38,100 | 26% |
| *EBT margin* | 14.1% | 14.4% | 14.2% | 14.1% | 14.4% | 14.2% | |
| Taxes | 106,9 | 86,2 | 76,1 | 17,790 | 14,338 | 12,660 | |
| Net Income | 261,9 | 206,2 | 152,9 | 43,579 | 34,314 | 25,440 | 27% |
| Income (losses) attributed to minorities | | | | | | | |
| Net income after minorities | 2,7 | 1,5 | (0,2) | 446 | 244 | (40) | |
| *Net income margin* | 259,2 | 204,8 | 153,1 | 43,133 | 34,070 | 25,480 | 27% |
| | 9.9% | 10.1% | 9.5% | 9.9% | 10.1% | 9.5% | |

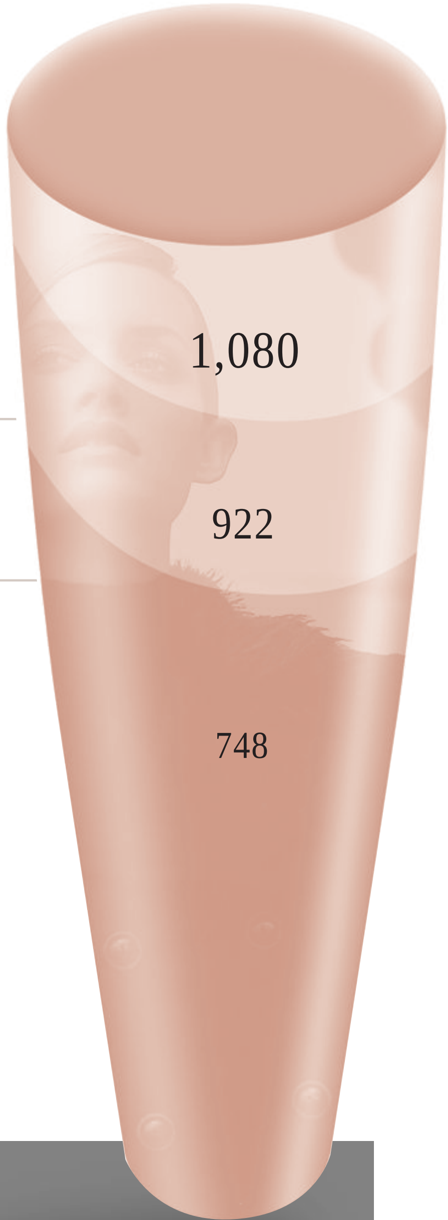
| | Net debt over equity | ROE | ROCE | Cash-flow on net financial debt | Gearing (assets/ shareholders funds) | ROS |
|---|---|---|---|---|---|---|
| 2000 | 4% | 25% | 34% | 7.9 | 1.8 | 9.9 |
| 1999 | 17% | 26% | 33% | 2.1 | 2.0 | 10.1 |
| 1998 | 14% | 25% | 37% | 2.6 | 2.0 | 9.5 |

# 1,080 stores in 33 countries

As of January 31, 2001, Inditex had 1,080 stores – 158 more than the year before - in 33 countries. Over the course of 2000, the group has opened up 4 new markets: Austria, Denmark, Andorra and Qatar.

In addition to entering these new markets, Inditex has continued to strengthen its presence in other countries, particularly those in which it has recently set up business.

| | Number of stores | Stores in Spain | Stores abroad |
|---|---|---|---|
| 2000 | 1,080 | 692 | 388 |
| 1999 | 922 | 603 | 319 |
| 1998 | 748 | 489 | 259 |



# 24,000 professionals in three continents

The professionals who are part of the Inditex group play a key role in the growth and international expansion of the group. It is this strong commitment from a team who is willing to meet the challenge and is able to adapt quickly to an ever-changing environment which has made it possible for the group to take on on new projects with the warranty of carrying them out successfully.

Inditex is a multinational company, made up of professionals from a wide variety of cultures. One of the major efforts of the group consists of training the large number of people who join the group each year. The integration of new technologies in all the areas of the group's activity – design, manufacture, logistics, customer service... - also requires a considerable investment in training. In fiscal year 2000, interactive training systems were implemented based on the new technologies, internet, CD's etc. As a whole, this training effort is aimed at raising the quality and professionalism in all areas as well as to promote independent and responsible management.

# Corporate government

# Board Of Directors

Members of the committees
●● Chairman of the Committee

| | Executive | Auditing and Compliance | Remuneration and Nomination |
|---|---|---|---|
| **Chairman** | | | |
| Mr. Amancio Ortega Gaona | ●● | | |
| **Deputy Chairman and C.E.O.** | | | |
| Mr. Jose María Castellano Ríos | ● | ● | |
| **Board Members** | | | |
| Mr. Carlos Espinosa de los Monteros | ● | | ● |
| Mr. Francisco Luzón López | ● | ● | ●● |
| Mrs. Rosalía Mera Goyenechea | | | |
| Mrs. Josefa Ortega Gaona | ● | | |
| Mr. Juan Carlos Rodríguez Cebrián | ● | | ● |
| Mr. Juan Manuel Urgoiti López de Ocaña | ● | ●● | |
| **Secretary, non-member** | | | |
| Mr. Antonio Abril Abadín | | | |

## Board of Directors

The Board of Directors of Inditex is the body responsible for the management, administration and supervision of the activity of this company, notwithstanding the powers pertaining to the General Meeting of Shareholders established in the articles of association or the Spanish law.

The General Meeting of Shareholders of Inditex held on July 20, 2000, resolved to restructure the composition of the Board of Directors by adjusting it to the Olivencia Code's recommendations on good corporate governance. The objective of the adaptation of this company governing body was to balance the number of Domanial, Independent and Executive Directors, the latter represented on the Board, in addition to the chairman thereof, by the Chief Executive Officer and the Managing Director.

The current composition of Inditex's Board of Directors is the following: Mr. Amancio Ortega Gaona, Chairman; Mr. José María Castellano, Deputy Chairman and Chief Executive Officer; and as Directors: ROSP CORUNNA, S.L., represented by Mrs. Rosalía Mera Goyenechea; Mrs. Josefa Ortega Gaona; Mr. Juan Carlos Rodríguez Cebrián (Inditex's Managing Director); Mr. Carlos Espinosa de los Monteros; Mr. Francisco Luzón López and Mr. Juan Manuel Urgoiti López de Ocaña, the last three as Independent Directors, and Mr. Antonio Abril Abadín as Secretary (Non-Director).

The Board usually meets every three months and, on the President's initiative, as many times as he may consider appropriate for the good functioning of the company.

## Board Regulations

In its meeting held on July 20, 2000, Inditex's Board of Directors approved its Organisation and Functioning Regulations (the Board Regulations).

The most relevant aspects of the Board Regulations, which came into effect on the date they were approved,

(a) Except for the issues exclusively reserved for the general meeting of shareholders, the Board of Directors is the highest decision-making body of the Company, as it is in charge of its administration and representation.

The policy of the Board of Directors is to delegate the management of the Company's ordinary business operations to the executive bodies and the management team, except for those matters that according to the Spanish law or to the articles of the association are exclusively reserved for the knowledge of the Board of Directors and those that may be necessary for the responsible performance of its general supervisory function.

The Board of Directors will perform its functions under the principle of maximisation of the Company's value, and will define and review the business and financial strategies of the Company in the light

(b) The Board of Directors will be composed of the Domanial Directors (those who are holders or representatives of holders of stable significant stakes in the Company's share capital), Executive Directors (those who have management responsibilities within the Company) and Independent Directors (those professionals of recognised prestige who are not linked to the executive team or to the significant

Furthermore, it has been resolved that the Board of Directors, in the performance of its powers to make proposals to the General Meeting and to co-opt for the filling of vacancies, will endeavour to have the percentage of Independent Directors on the Board of Directors to be at least equivalent to the Company

(c) The Board Regulations regulate its structure and working procedure, the status of the board member, the relations of the Board of Directors with its shareholders, its institutional investors, the markets,

## Board Committees

Inditex's Board of Directors, in its meeting held on February 28, 1997, created the Executive Committee. The current composition of the Executive Committee was approved by the Board of Directors in its meeting held on July 20, 2000. On July 20, 2000, once the Board of Directors Regulations had been approved, the Audit and Compliance Committee and the Remuneration and Nomination Committee were formed.

Later, the Executive Committee, in its meeting held on October 27, 2000, approved the composition of the Audit and Compliance Committee and the Remuneration and Nomination Committee.

## Composition of the Committees

Under the Board Regulations, the Executive Committee will be composed of a number of Directors consisting of between three and seven members, the Chairman of the Board of Directors acting as Chairman and the Secretary of the Board of Directors as Secretary, who may be assisted by the Assistant Secretary.

In addition, the Board Regulations establish that the Audit and Compliance Committee and the Remuneration and Nomination Committee will be composed of a number of Directors consisting of between three and five, the majority of its members being Independent Directors and its Chairman being an Independent Director.

In all the Committees, Mr. Antonio Abril Abadín, the Secretary of the Board of Directors, will act as Secretary.

## Functions of the Committees

### Executive Committee

On February 28, 1997, the Board of Directors delegated to the Executive Committee all the powers attributed to it, except for those non-delegable powers established in the Spanish law or in the articles of the association, and those that may be necessary for the responsible performance of the general supervisory function that is incumbent on the Board of Directors.

The Executive Committee will hold its sessions every month and, in any case, when called by its Chairman. The Executive Committee will inform the Board of Directors about the matters discussed and the decisions

### Audit and Compliance Committee

Without prejudice to any other duty the Board of Directors may assign to it, the Audit and Compliance Committee has as its main functions:

(i) To propose the appointment of the Company's auditors and serve as a communication channel between these and the Board of Directors.

(ii) To review the Company's accounts and verify the suitability and integrity of internal control systems.

(iii) To review the periodical financial information the Board of Directors must provide to the markets and to its supervisory bodies.

To examine compliance of the different internal Regulations and codes approved by the Company and make the necessary proposals for their improvement.

The Audit and Compliance Committee will meet whenever it is called by its Chairman, who must do so whenever the Board of Directors or its Chairman requests the issuing of a report or the adoption of proposals, and whenever it is appropriate for the proper performance of its functions. In any case, it will meet once a year to review the information the Board of Directors must include in the annual public documentation.

## Remuneration and Nomination Committee

Without prejudice to any other duty the Board of Directors may assign to it, the Remuneration and Nomination Committee has as its main functions:

(i) To inform about proposals for the appointment of Directors and Committee members, as well as those of senior management.

(ii) To inform about the systems and amount of remuneration of Directors and senior management.

(iii) To inform about transactions that may imply conflicts of interest and, in general, about matters related to Director's duties.

The Remuneration and Nomination Committee will meet whenever it is called by its Chairman, who must do so whenever the Board of Directors or its Chairman requests the issuing of a report or the adoption of proposals, and whenever it is appropriate for the proper performance of its functions. In any case, it will meet once a year to prepare the information on Directors' remuneration that the Board of Directors must include in the annual public documentation.

# Management Team