ANNUAL REPORT INDITEX 2003

INDITEX

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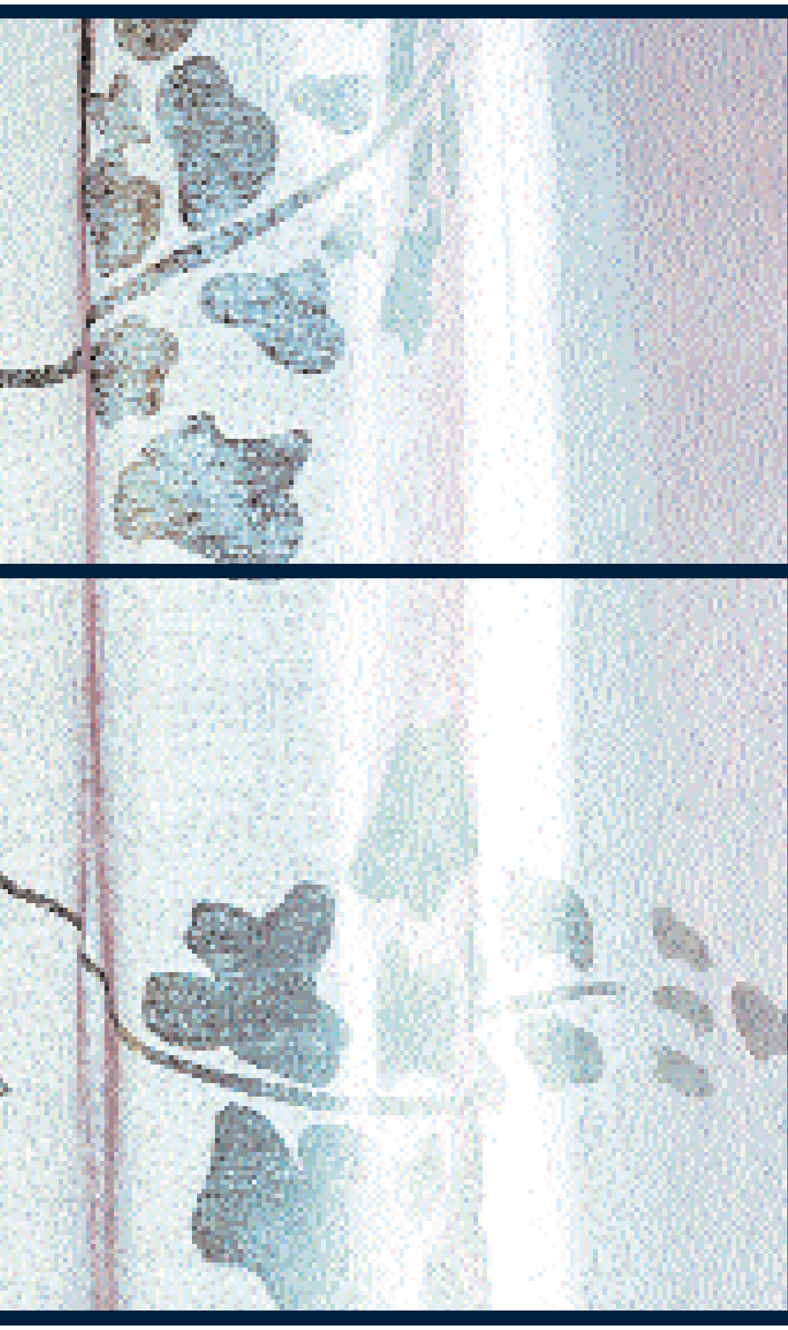
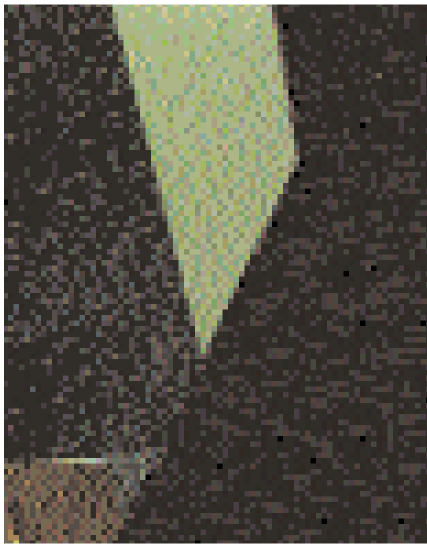
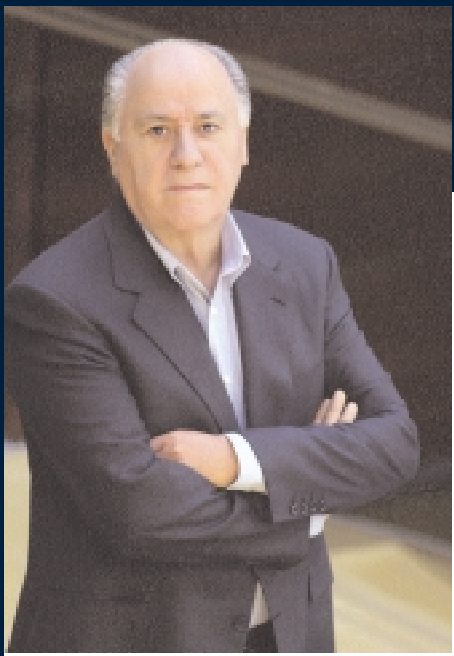
INDITEX

CONTENTS





LETTER TO SHAREHOLDERS



Dear shareholders:

Inditex has presented for your consideration in this Annual Report the data for fiscal 2003 and on this occasion I once again have the honour of addressing you. As in previous years, we must first of all refer to the continuation of the effort made by our human team, which has seen its fruit in the growth in our net sales by 16% and the opening of more than 360 points of sale worldwide. The dedication of the professionals making up our group have also allowed us to accomplish other achievements, such as the launch of a new retail format or the setting in motion in record time of a new logistics centre for the Zara concept.

As regards financial performance over the year, after a first half in which the group increased its net income by more than 20%, during the second half of the year the effects of an unfavourable environment reduced this increase to 2% for the whole of the year. An especially hot and long summer throughout Europe led to weak sales in the third quarter. The flexibility offered by our business model made it possible for us to adapt our offer to this circumstance, which caused the number of units sold in this quarter to increase by 26% compared to the previous year. However, the lower price per unit of the products sold, in accordance with the climatic conditions, gave rise to a fall in like-for-like sales.

These circumstances, which affected the whole of the fashion distribution sector, resulted in a fourth quarter marked by strong promotional activity in all the relevant markets for the Inditex group. To all this was added the exchange rate effect, which decreased progressively throughout the course of the year leading finally to a 4% reduction in consolidated sales.

Our projections, in view of the performance of our sales at the beginning of fiscal 2004, are indicating that we are in a position in 2004 to recover from the decrease in profitability margins occurring in 2003. In order to do this we are focusing our attention on improving certain aspects of the management of some of our retail formats, so as to consolidate the main advantage of our model: flexibility to adapt our offer to market demands.

Furthermore, we are maintaining our targets for growth, fundamentally in the most important markets on the European continent, where we will continue to concentrate openings both of Zara stores and of stores from the other formats of the group. Likewise, it is our intention to increase Inditex's stake in our subsidiaries in Italy and Japan, thus assuming a comfortable majority in its companies in two of the most profitable markets for the group, where we are also going to notably increase our commercial presence in the next few years.

The dividend proposal made by the Board of Directors to the Shareholders Meeting, showing a strong increase through surplus dividend, signals the beginning of an upwards curve in Inditex's dividend pay-outs, with the aim of getting to 40% in the mid-term. This does not signify by any means a departure from our policy on investments, which are going to continue to grow at the previous rate, but rather is proof of our business's great capacity to generate funds.

Over 2003 we have continued to further the commitment of the company to the rules of good governance, by trying not only to comply with the successive updates in the regulations but also to progress in transparency towards shareholders and investors in general as regards our decision-making mechanisms. Inditex is receiving acknowledgement for its efforts in this respect, in which it will continue to persevere.

Another of the areas where we are going to continue to focus our attention is that of the development of our corporate responsibility policy. Together with this Annual Report we will publish, for the second year running, the group's Sustainability Report, which will reflect the work carried out in the economic, social and environmental fields. One of our objectives for this year is to intensify dialogue with our stakeholders, with the aim of increasing the quality of our actions in this field through their critical contribution.

To end, let me reiterate my confidence in the commitment of the professionals making up this group and who, independently of the climate our operations develop in, demonstrate every day that the key part of Inditex's business model is its human capital.

Amancio Ortega Gaona
Chairman

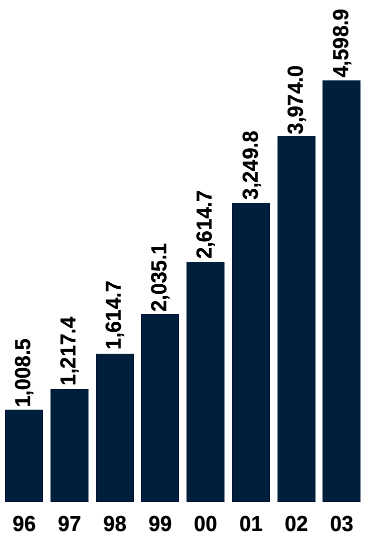
FINANCIAL HIGHLIGHTS

GROWTH IN AN ADVERSE CONSUMER ENVIRONMENT

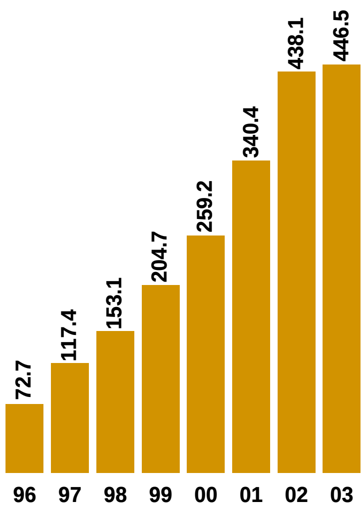
The Inditex group's consolidated net sales grew in fiscal 2003 to 4,598.9 million euros, 16% higher than the figure obtained in 2002. With constant exchange rates, the increase in sales would have been 20%. Net income reached 446.5 million euros in this last year, 2% more than the previous year. The net margin on sales was 9.7%.

The results for the year reflect the effect on the performance of our sales and on the operating margin caused by the situation experienced in the second half, with an adverse climate giving rise to strong price competition between international competitors in the fashion distribution sector. Inditex's sales grew strongly in this period as regards units, but the decrease in the average price per unit moderated the effect on net sales. EBITDA increased by 1% to 873.5 million euros, while EBIT decreased by 5% to 627 million euros. Like-for-like sales grew by 1%, versus 11% the previous year, as a consequence of a decrease of 2% in the second half.

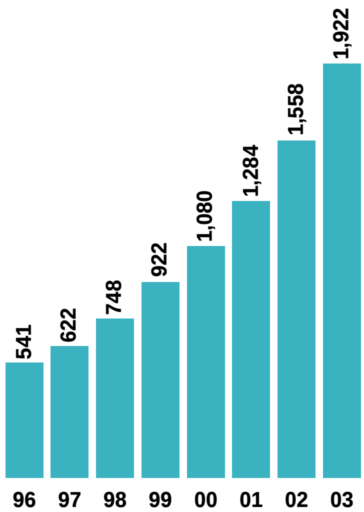
At the close of fiscal 2003, the Inditex group had 1,922 stores open in 48 countries, 364 more than the previous year. A large part of these openings took place in Europe, with the sharp increase in Inditex's presence in the main markets of this continent, such as Italy, the United Kingdom or Germany, particularly standing out. This growth in the number of stores has been reflected in an increase in selling area in 2003, which reached a total of 988,357 m^2, 25% more than one year earlier. Over the course of the year, the group opened its first stores in four new markets: Russia, Malaysia, Slovenia and Slovakia. The sales in stores outside Spain in 2003 accounted for 53.9% of the total sales of the group, 0.1% more than in 2002. Sales from the European markets taken as a whole went from 80.1% in 2002 to 81.6% in 2003.



NET SALES 96/03
CAGR 96/03 24%
(in millions of euros)



NET INCOME 96/03
CAGR 96/03 30%
(in millions of euros)



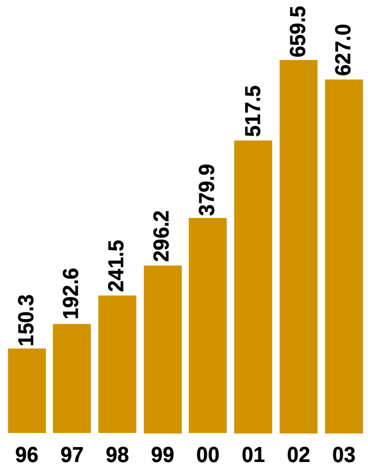
NO. OF STORES 96/03

MAIN INDICATORS

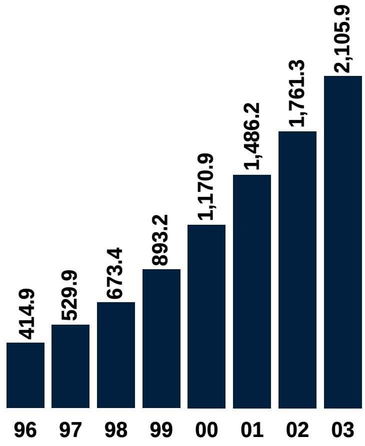
Financial performance of recent fiscal years

Description	2003	2002	2001	2000	1999	1998	1997	1996	CAGR 03/96
Results:									
Net sales*	4,598.9	3,974.0	3,249.8	2,614.7	2,035.1	1,614.7	1,217.4	1,008.5	24%
YOY %	*16%*	*22%*	*24%*	*28%*	*26%*	*33%*	*21%*		
EBITDA*	873.5	868.1	704.5	521.5	410.4	325.7	253.6	202.1	23%
YOY %	*1%*	*23%*	*35%*	*27%*	*26%*	*28%*	*25%*		
EBIT*	627.0	659.5	517.5	379.9	296.2	241.5	192.6	150.3	23%
YOY %	*-5%*	*27%*	*36%*	*28%*	*23%*	*25%*	*28%*		
Net income after minorities*	446.5	438.1	340.4	259.2	204.7	153.1	117.4	72.7	30%
YOY %	*2%*	*29%*	*31%*	*27%*	*34%*	*30%*	*61%*		
Balance:									
Shareholders equity*	2,105.9	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9	414.9	26%
YOY %	*20%*	*19%*	*27%*	*31%*	*33%*	*27%*	*28%*		
Total balance*	3,510.4	3,013.8	2,588.6	2,107.6	1,772.9	1,326.3	977.2	820.3	23%
YOY %	*16%*	*16%*	*23%*	*19%*	*34%*	*36%*	*19%*		
Net financial position*	268.3	245.6	57.5	(50.6)	(149.9)	(93.0)	(38.3)	(105.8)	
Stores:									
Number of stores at year-end closing	1,922	1,558	1,284	1,080	922	748	622	541	
Net openings	364	274	204	158	174	126	81	33	
Number of countries	48	44	39	33	30	21	14	10	
Other information:									
International sales %	54%	54%	54%	52%	49%	46%	42%	36%	
LFL sales	1%	11%	9%	9%	5%	11%	7%	4%	
ROE	23%	27%	26%	25%	26%	25%	25%	20%	
ROCE	32%	41%	39%	34%	33%	36%	35%	29%	
Number of employees	39,760	32,535	26,724	24,004	18,200	15,576	10,891	8,412	

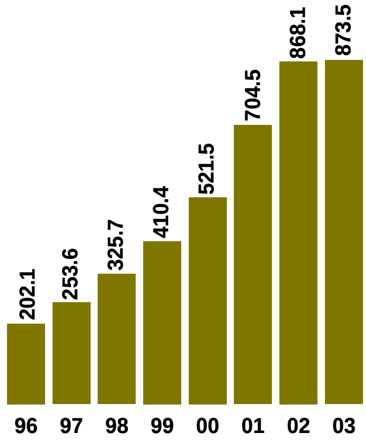
**in millions of euros*



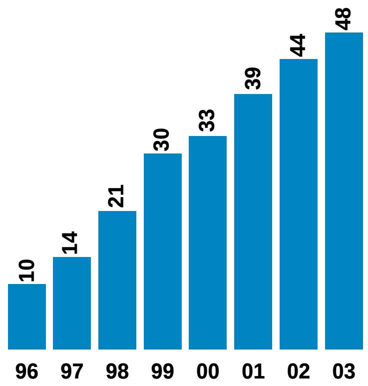
EBIT 96/03
(in millions of euros)



SHAREHOLDERS EQUITY 96/03
(in millions of euros)



EBITDA 96/03
(in millions of euros)



NUMBER OF COUNTRIES 96/03

	NO. OF STORES AT 31 JANUARY 2004	OPENINGS 2003
ZARA	626	95
KIDDY'S CLASS	103	44
PULL AND BEAR	350	54
MASSIMO DUTTI	297	47
BERSHKA	253	56
STRADIVARIUS	191	38
OYSHO	76	4
ZARA HOME	26	26
TOTALES	**1,922**	**364**

MARKET CAPITALIZATION AT CLOSE OF FISCAL 03

9,761 *million euros*

ROE 2003

23%

EPS 03 *(in euro-cents)*

2003	71.6
03/02	2%

ROCE 2003

32%

RETURN ON SALES 2003

9.7%

LFL 2003

1%

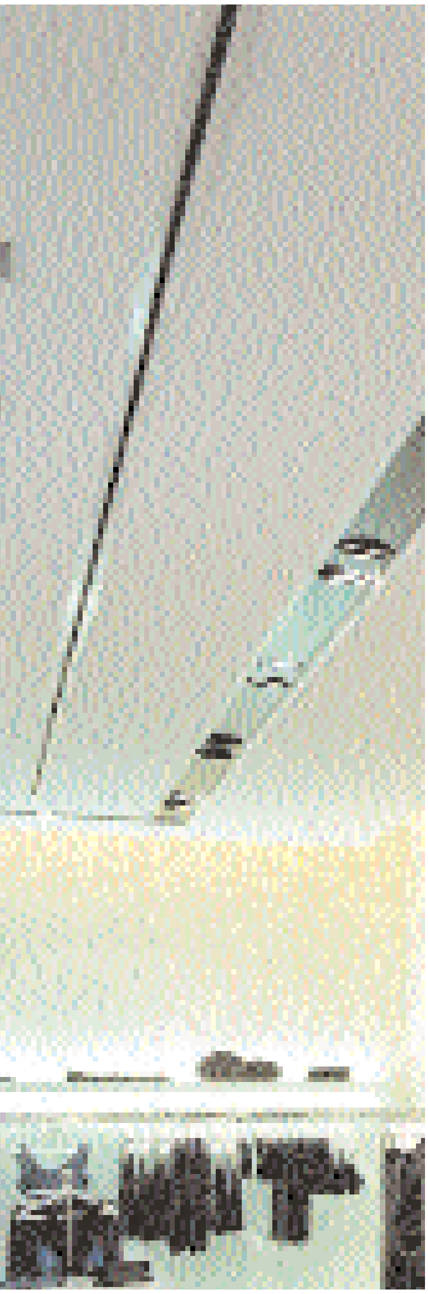
STOCK PERFORMANCE 03 *(in euros)*

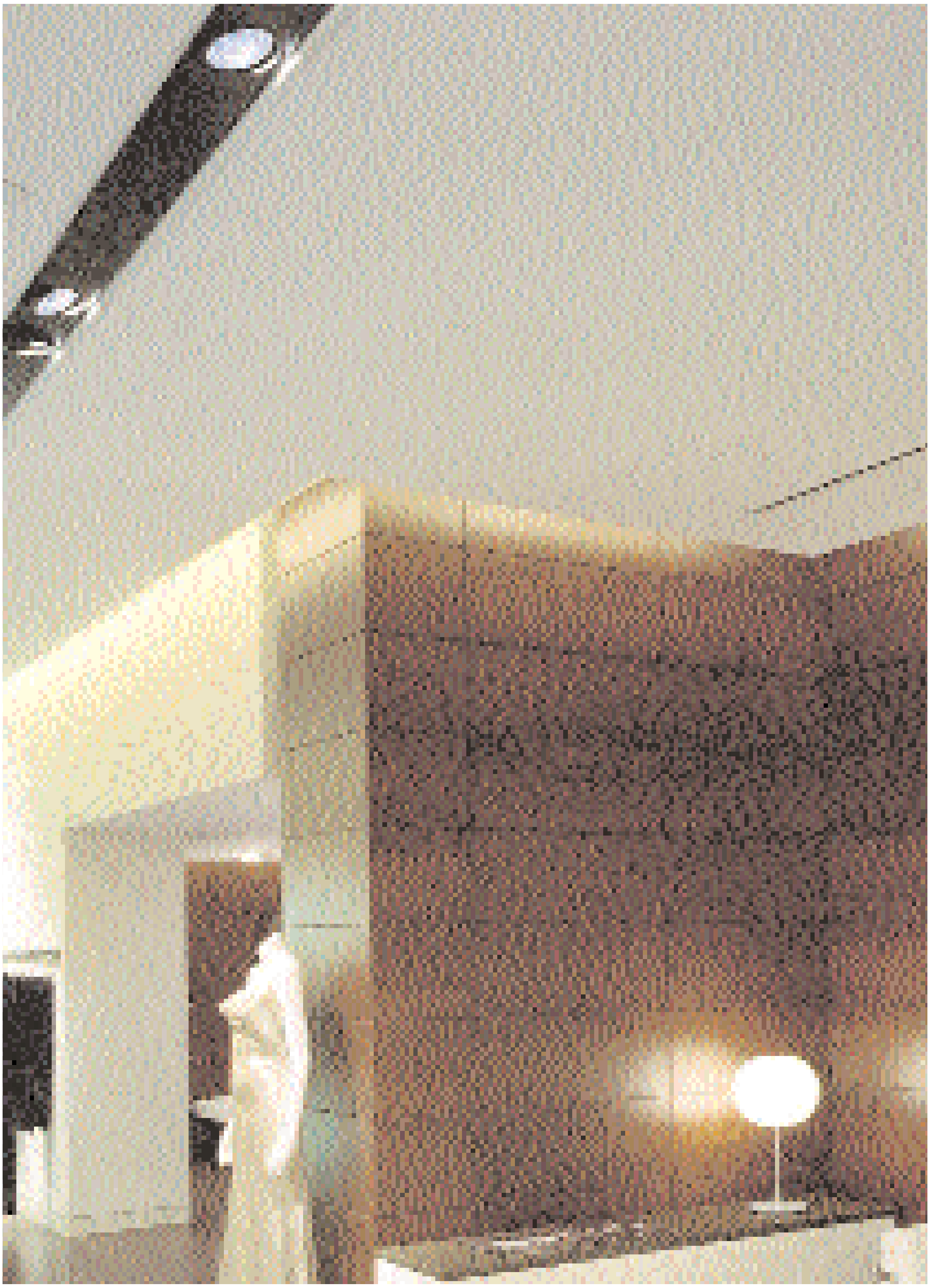
31 January 02	22.18
31 January 03	15.66
YoY	(29%)

SALES IN STORES ABROAD 2003

Spain	46.1%
International	53.9%

BUSINESS PERFORMANCE





BUSINESS PEFORMANCE

In fiscal 2003 the Inditex group increased the pace of its international expansion, opening a total of 364 new outlets, 90 more than in the previous year. As at 31 January 2004, the group had a total of 1,922 stores in 48 countries, having opened its first stores in Russia, Malaysia, Slovenia and Slovakia.

Some 90% of the new openings —325 stores— took place in Europe, where the group achieved a total of 1,650 stores. On the American continent, 27 new stores were opened, making a total of 172; in the Middle East there were six new openings, reaching a total of 87; and in the Asian-Pacific area, another six openings took place, raising the total number of stores to 13. The company is thus continuing to consolidate its presence in the main European markets while at the same time taking advantage of other opportunities in different geographic areas.

Fiscal 2003 saw the satisfactory completion of the building and setting in motion of Plataforma Europa in Zaragoza, the second logistics centre for the Zara format. Plataforma Europa is located in the Pla-Za logistics platform in Zaragoza, a complex with excellent infrastructures and good access to the transport network. Through this centre, the necessary steps have been taken to adapt Zara's distribution capacity to its rate of international growth.

In August 2003 a new commercial format devoted to home goods, Zara Home, was launched, becoming the eighth format of the group. In its first six months of activity, Zara Home's product offer has been well received by the public and sales have exceeded the company's expectations.

FORMATS

ZARA

In 2003 Zara carried out a total of 95 net openings, 68 of these in Europe, 15 on the American continent, six in the Asian-Pacific area and another six in the Middle East. The format opened stores in six new countries: Sweden, Russia, Ireland, Slovenia, Malaysia and Jordan. Zara increased its presence in 27 countries in 2003 and achieved a total of 626 establishments with a selling area of 686,090 m^2. The Zara format has continued its internationalization process, with 65% of its points of sale already being located outside Spain.

Zara significantly increased its presence in the main European markets in 2003. At 31 January 2004, it had 76 stores in France, 26 in Germany, 25 in the United Kingdom and 12 in Italy. In this last country, where Zara began operating in 2001, it opened a total of nine stores over the year, of which the first Zara store in Rome and the second store in the centre of Milan particularly stand out. In the same way, the openings of the first stores in Moscow and Stockholm are significant as they mean the establishment of the foundations for future development of the format in those countries. Zara also boosted its presence in the United States market through openings in Washington, Miami, Las Vegas and Orlando. As regards the Asian-Pacific area, where Zara had seven stores in 2002, six new points of sale have been opened during the last fiscal year and it already has nine stores in Japan, two in Singapore and two in Kuala Lumpur (Malaysia). Independently of any future opportunities, the format has announced that in 2004 it will open its first stores in Hong Kong, Morocco and Panama.

Zara's turnover rose to 3,219.6 million euros, a figure which represents 70% of the group's total.

In fiscal 2003 the building and setting in motion of Plataforma Europa, the second logistics centre for the Zara format, was completed. Plataforma Europa measures more than 123,000 m^2 and has been provided with the latest advances in the logistics field which have been specifically adapted to the fashion retail business, resulting in a distribution capacity of 80,000 garments an hour. The distribution centre is located at the Logistics Centre in Zaragoza, with direct access to the rail and motorway network and close to Zaragoza airport, which favours the handling of international cargo.

KIDDY'S CLASS

The children's fashion format, Kiddy's Class, opened 44 new outlets in Spain and Portugal over the year and reached a total of 103 stores in those countries. The Inditex group decided last year to strengthen its presence in the children's fashion sector, leading to the establishment of Kiddy's Class as an independent format. Kiddy's Class has demonstrated great potential for development: its 44 openings in the year have meant a 74.5% increase in the format's number of points of sale in just the last year. The new stores were opened in Spain (38) and Portugal (6), making the store total for this format 90 and 13 respectively in those countries. Selling area came to 20,614 m^2.

Kiddy's Class, with a turnover of 89.7 million euros, accounted for 1.9% of the group's total.

PULL AND BEAR

The figure for net openings of Pull and Bear stores over the year was 54 outlets in eight countries, two of them in markets where the concept had not been present before: Andorra and Slovenia. The total number of stores, with a total selling area of 67,175 m^2, rose to 350 in 18 countries.

Pull and Bear's turnover for the year was 287.9 million euros, 6.3% of the group's total.

MASSIMO DUTTI

The Massimo Dutti fashion concept opened 47 stores in fiscal 2003, which came to a total of 297 in 23 countries. These openings took place in nine different markets. Its total selling area at 31 January 2004 was 62,060 m^2. The weight of Massimo Dutti in Inditex's total sales was 8.5%, with turnover of 388.9 million euros.

In 2003 Massimo Dutti launched a range of children's fashion, under the trade name Dutti Boys. This line is being progressively introduced in several countries in stores which are large enough to accommodate a specific area for Dutti Boys.


Bershka
Bershka

BERSHKA

Bershka had a total of 56 net openings in 2003. The young fashion chain had 253 stores in 13 countries at 31 January 2004. The openings in the past year took place in nine countries, of which four were countries where it had not been present before: Italy, France, Holland and Lebanon.

Bershka's turnover reached 395 million euros in 2003, which represents 8.6% of the group's total. Its selling area at year-end closing came to 85,835 m^2.

STRADIVARIUS

With 38 new openings in the year, the Stradivarius concept ended 2003 with 191 points of sale in nine countries. Its selling area at 31 January 2004 was 49,808 m^2.

The turnover for this format —162 million euros— made up 3.5% of the group's total in 2003.

OYSHO

Oysho had four net openings in fiscal 2003. The lingerie format ended the year with 76 stores in eight countries and a selling area of 10,932 m^2. During the last year, Oysho opened its first store in Saudi Arabia. Its turnover in 2003 was 45.1 million euros, 1% of the Inditex group's total.

ZARA HOME

In fiscal 2003, the Inditex group opened the first stores of its Zara Home format, which became the eighth retail format of the group. Zara Home offers textile products for beds, tables and the bathroom, as well as household items, small decorative objects and cosmetic items. Zara Home follows the same philosophy that Zara applies to fashion, frequently renewing its range for the home and offering design products at attractive prices.

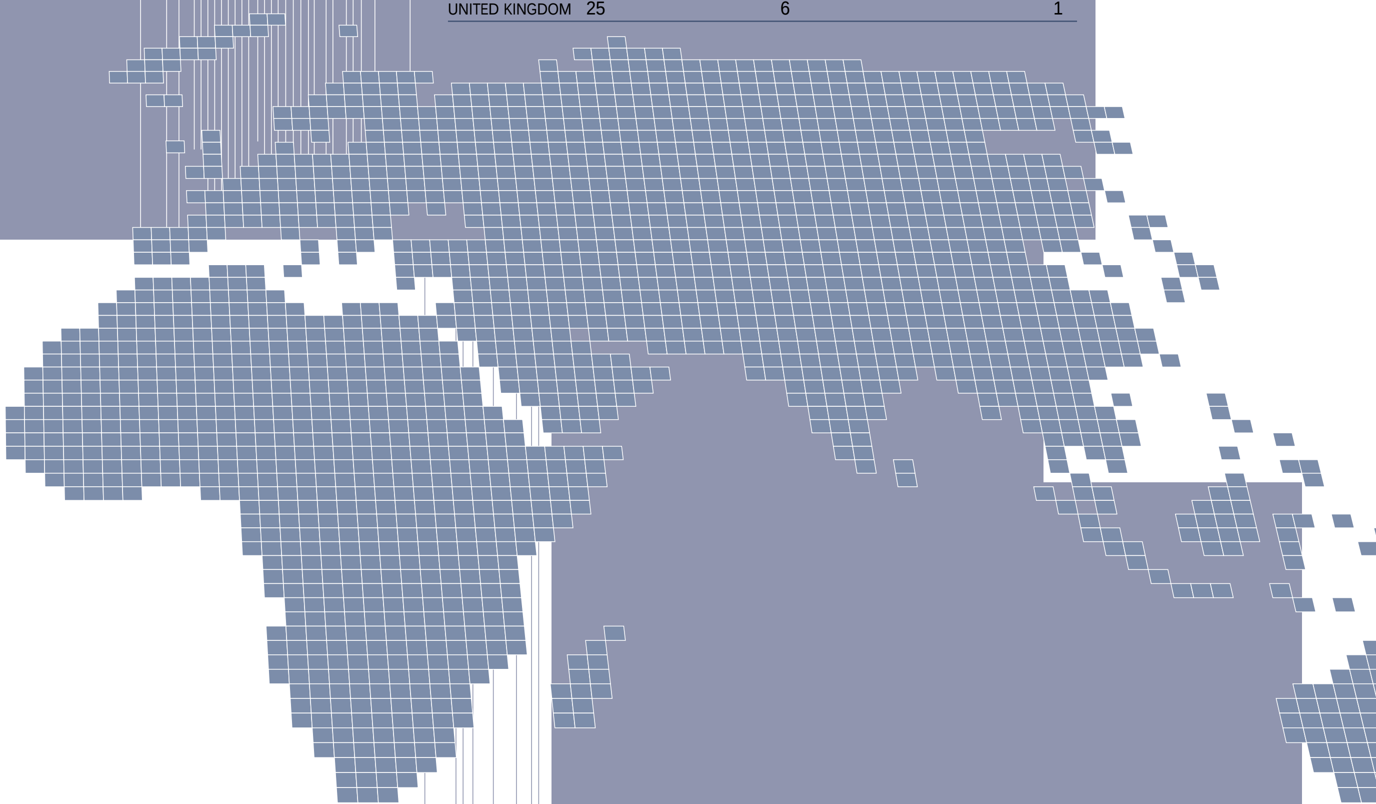
Zara Home had achieved 26 openings as at 31 January 2004, in barely six months since its launch in August 2003. The format is present in Spain, Portugal, Greece and the United Kingdom. Its opening in London signifies an important step in its international expansion plan, as it introduces the concept in a market where there is a high level of competition in the segment. Its selling area at year-end closing was 5,843 m^2 and its sales came to 10.6 million euros, 0.2% of the total.

INTERNATIONAL PRESENCE

ASIA-PACIFIC	ZARA
JAPAN	9
MALAYSIA	2
SINGAPORE	2

AMERICA	ZARA	P&B	MD	BSK	OYSHO
ARGENTINA	5				
BRAZIL	13				
CANADA	10				
CHILE	5				
DOMINICAN REPUBLIC	1				
EL SALVADOR	1				
MEXICO	33	12	17	25	11
UNITED STATES	12				
URUGUAY	2				
VENEZUELA	8	6	2	8	1

EUROPE	ZARA	KC	P&B	MD	BSK	STRAD	OYSHO	Z.HOME
ANDORRA	1		1	1				
AUSTRIA	4							
BELGIUM	16		1	16	4			
CYPRUS	3		2	1	2	2		
CZECH REPUBLIC	1							
DENMARK	3							
FINLAND	3							
FRANCE	76			2	3	1		
GERMANY	26			4				
GREECE	25		8	5	9		1	1
HOLLAND	4			1	2			
ICELAND	1							
IRELAND	1		6					
ITALY	12				1		2	
LUXEMBOURG	2			1				
MALTA	1		3					
NORWAY				1				
POLAND	6							
PORTUGAL	40	13	47	40	26	20	10	2
RUSSIA	1							
SLOVAKIA			1					
SLOVENIA	1							
SPAIN	221	90	241	181	167	159	49	22
SWEDEN	1			2				
SWITZERLAND	3			3	2			
TURKEY	10							
UNITED KINGDOM	25			6				1

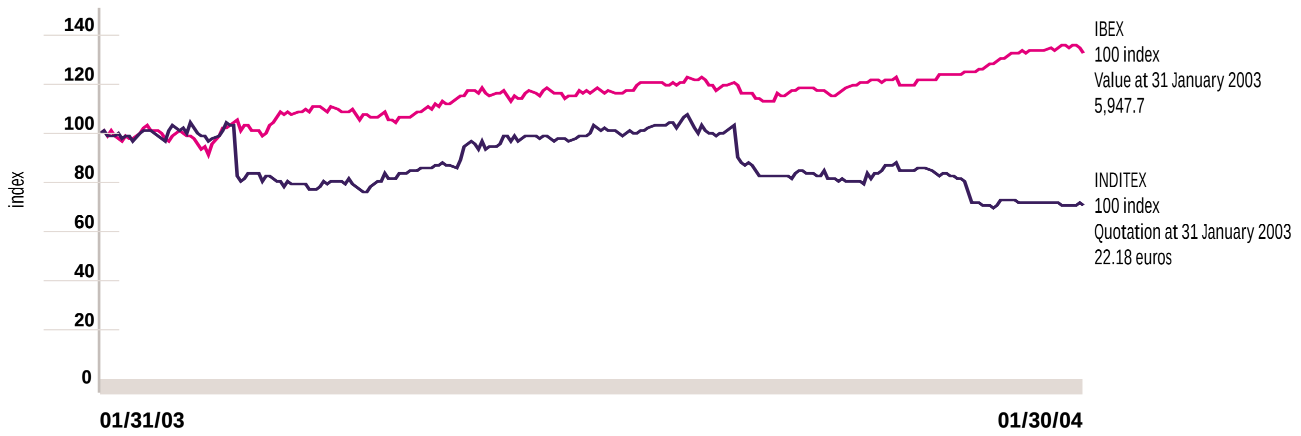


MIDDLE EAST	ZARA	P&B	MD	BSK	STRAD	OYSHO
BAHRAIN	1	1	1			
ISRAEL	12	13				
JORDAN	1	1	1		2	
KUWAIT	3	2	1		1	1
LEBANON	2	1	2	1		
QATAR	1	1	1		1	
SAUDI ARABIA	12		4		3	1
UNITED ARAB EMIRATES	4	3	4	3	2	

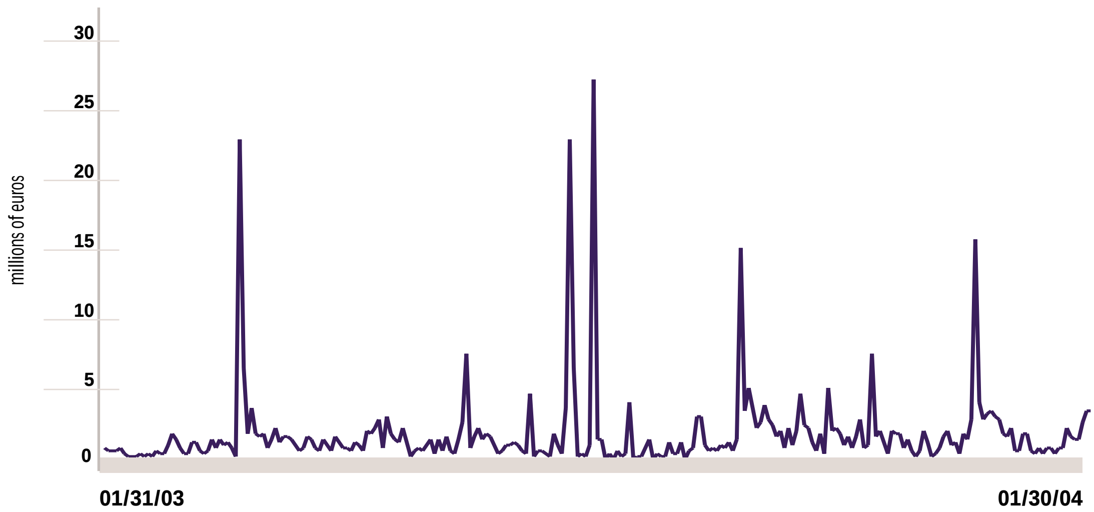
STOCK PERFORMANCE

The Inditex share underwent a decrease of 29% in its quotation in fiscal 2003. In the same period, the Ibex-35 index increased by 33%. The share closed at its highest annual price, 24 euros, on 3 September 2003. The minimum closing price occurred on 22 December 2003 with a price per share of 15.50 euros. The average volume traded per trading day has exceeded 2.2 million shares.

Inditex's market capitalization at the close of the fiscal year was 9,761 million euros, 6.73% above its value at its initial listing on 23 May 2001. The Ibex-35 index fell by 20.57% over the same period.



RELATIVE PERFORMANCE ITX vs. IBEX 35



SHARE TRADED


ZARA

BOARD OF DIRECTORS


ZARA

BOARD OF DIRECTORS

Composition as at 31 January 2004:

	EXECUTIVE	AUDIT AND CONTROL	NOMINATION AND REMUNERATION	TYPE
CHAIRMAN				
Amancio Ortega Gaona	■			Domanial-Executive
DEPUTY CHAIRMAN				
José María Castellano Ríos	□			Executive
DIRECTORS				
Carlos Espinosa de los Monteros	□		■	Independent
Fred H. Langhammer			□	Independent
Francisco Luzón López	□	□	□	Independent
Rosalía Mera Goyenechea *				Domanial
Irene Miller		□		Independent
Juan Carlos Rodríguez Cebrián	□			Executive
Juan Manuel Urgoiti López de Ocaña	□	■		Independent
SECRETARY				
Antonio Abril Abadín	□			Executive

□ Member of the Committee

■ Chairman of the Committee

**Rosalía Mera Goyenechea represents ROSP CORUNNA S.L., a company which is a member of the Board of Directors of the Company.*

CHANGES DURING FISCAL 2003

The Board of Directors meeting on 20 March 2003 resolved to amend the name of the Audit and Compliance Committee to adapt it to the new nomenclature given by the Spanish law on measures of reform of the financial system [Ley de Medidas de Reforma del Sistema Financiero], changing its name to the Audit and Control Committee.

Likewise, the Board of Directors approved on that date an amendment to its regulations, establishing that both the Audit and Control Committee and the Nomination and Remuneration Committee will be made up exclusively of independent directors. In accordance with this, José María Castellano and Juan Carlos Rodríguez Cebrián resigned as members, respectively, of the Audit and Control Committee and of the Nomination and Remuneration Committee.

The Board of Directors meeting on 20 March 2003 also resolved to appoint Irene Miller and Fred H. Langhammer as members, respectively, of the Audit and Control Committee and of the Nomination and Remuneration Committee.

MODIFICATIONS SUBSEQUENT TO THE CLOSE OF THE FISCAL YEAR

The Board of Directors on 10 June 2004 resolved to accept the resignation tendered by Rosp Corunna, S.L., through its representative, Rosalía Mera Goyenechea, as a member of the Board of Directors of Inditex, the Board recording in the minutes of the meeting its appreciation for the services rendered to the company and for her dedication in the performance of her work as member of the Board of Directors.

Likewise, pursuant to the provisions of the Articles of Association and the Board of Directors' Regulations, the Board resolved, after a report from the Nomination and Remuneration Committee, to increase the number of members of the Audit and Control Committee and the Nomination and Remuneration Committee from four to five members, respectively, nominating Carlos Espinosa de los Monteros Bernaldo de Quirós as a new member of the Audit and Control Committee and Irene Ruth Miller and Juan Manuel Urgoiti López de Ocaña as new members of the Nomination and Remuneration Committee.

AUDITORS' REPORT AND ANNUAL ACCOUNTS

AUDITORS' REPORT

KPMG

Auditores

Fama, 1, 1º
15001 A Coruña

Auditors' Report on the Consolidated Annual Accounts

(Translation from the original in Spanish)

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

We have audited the consolidated annual accounts of Industria de Diseño Textil, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at 31 January 2004, the related consolidated statement of profit and loss for the year then ended and the notes thereto (year 2003), the preparation of which is the responsibility of the board of directors of Industria de Diseño Textil, S.A. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the consolidated annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these consolidated annual accounts for the year 2003 also include, for each individual caption in the consolidated balance sheet and the consolidated statement of profit and loss, comparative figures for the previous year. Our opinion refers exclusively to the consolidated annual accounts for the year 2003. On 21 March 2003, we issued our unqualified audit report on the consolidated annual accounts for the year 2002.

In our opinion, the consolidated annual accounts for the year 2003 present fairly, in all material respects, the consolidated shareholders' equity and financial position of Industria de Diseño Textil, S.A. and its subsidiaries at 31 January 2004 and the consolidated results of operations for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain applied on a basis consistent with that of the preceding year.

The accompanying consolidated directors' report for the year 2003 contains such explanations as the directors consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with the consolidated annual accounts for the year 2003. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Industria de Diseño Textil, S.A. and its subsidiaries.

KPMG AUDITORES, S.L.

(Signed)

Eduardo Perelló Teruel

24 March 2004

Translation of a report and financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain.In the event of a discrepancy, the Spanish-language version prevails.

INDUSTRIA DE DISEÑO TEXTIL,S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF JANUARY 31, 2004 AND 2003

(THOUSANDS OF EUROS)

ASSETS	01-31-04	01-31-03*
B) FIXED ASSETS		
I. Start-up expenses (note 5)	**528**	**560**
II. Intangible assets (note 6)	**412,944**	**378,113**
Intangible assets and rights	547,237	494,985
Accumulated amortization	(133,889)	(116,217)
Provisions	(404)	(655)
III. Tangible fixed assets (note 7)	**1,599,266**	**1,333,143**
Land and buildings	557,362	477,100
Technical installations and machinery	1,526,191	1,185,099
Other tangible fixed assets	240,728	196,719
Advances and construction in progress	54,045	87,542
Accumulated depreciation	(748,900)	(589,362)
Provisions	(30,160)	(23,955)
IV. Long-Term financial investments (note 8)	**105,424**	**79,003**
Holdings in companies carried by the equity method	23,188	18,275
Long-term investment securities	5,991	5,890
Other loans	76,263	54,940
Provisions	(18)	(102)
V. Shares of the Controlling Company (note 15)	**89**	**447**
Total fixed assets	**2,118,251**	**1,791,266**
C. GOODWILL ON CONSOLIDATION (note 9)	**53,253**	**62,612**
D. DEFERRED CHARGES (note 10)	**17,902**	**13,931**
E. CURRENT ASSETS		
II. Inventories (note 11)	**486,440**	**382,439**
III. Accounts receivable (note 12)	**328,856**	**237,678**
Customer receivables for sales and services	129,501	97,704
Other accounts receivable	201,451	141,482
Provisions	(2,096)	(1,508)
IV. Short-term financial investments (note 13)	**180,342**	**294,343**
Short-term investment securities	44,302	52,057
Other loans	136,040	242,286
VI. Cash	**316,023**	**221,689**
VII. Accrual accounts	**9,285**	**9,838**
Total current assets	**1,320,946**	1,145,987
TOTAL ASSETS	**3,510,352**	**3,013,796**

(*) Presented for comparison purposes only.

SHAREHOLDER'S EQUITY AND LIABILIES	01-31-04	01-31-03*
A) SHAREHOLDER'S EQUITY (note 15)		
I. Share Capital	**93,500**	**93,500**
II. Additional paid-in capital	**20,379**	**20,379**
III. Revaluation Reserve	**1,692**	**1,692**
IV. Other reserves of the Controlling Company	**871,527**	**773,302**
Unrestricted reserves	852,582	753,999
Restricted reserves	18,945	19,303
V. Reserves at fully or proportionally consolidated companies	**799,755**	**556,571**
VI. Reserves at companies carried by the equity method	**(540)**	**(874)**
VII. Translation differences from fully consolidated companies (note 2.d)	**(126,817)**	**(121,407)**
VIII. Income attributable to the Controlling Company	**446,451**	**438,091**
Consolidated for the year (profit)	448,631	442,476
Attributed to minority Interest (profit and losses)	(2,180)	(4,385)
Total shareholder's equity	**2,105,947**	**1,761,254**
B) MINORITY INTERESTS (nota 16)	**27,217**	**19,336**
D) DEFERRED REVENUES (note 17)	**29,663**	**8,535**
E) PROVISIONS FOR CONTINGENCIES AND EXPENSES (note 18)	**23,079**	**41,147**
F) LONG-TERM DEBT		
II. Payable to credit entities (note 19)	156,568	129,343
III. Other accounts payable (note 20)	75,167	41,443
Total long-term debt	**231,735**	**170,786**
G) CURRENT LIABILITIES		
II. Payable to credit entities (note 19)	**81,492**	**144,522**
III. Payable to companies carried by the equity method (note 14)	**2,026**	**2,243**
IV. Trade accounts payable	**652,422**	**506,173**
V. Other non-trade payables (note 20)	**356,771**	**359,403**
VII. Accrual accounts	**0**	**397**
Total current liabilities	**1,092,711**	**1,012,738**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	**3,510,352**	**3,013,796**

(*) Presented for comparison purposes only.

Translation of a report and financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDUSTRIA DE DISEÑO TEXTIL,S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED JANUARY 31, 2004 AND 2003
(THOUSANDS OF EUROS)

DEBIT	01-31-04	01-31-03*
A) EXPENSES		
Purchases	2,395,973	1,954,956
Personnel expenses	678,179	569,896
a) Wages, salaries, etc.	532,001	448,647
b) Employee welfare expenses (note 22)	146,178	121,249
Period depreciation and amortization	221,170	185,407
Variation in provisions	15,891	13,663
Other operating expenses	756,926	609,878
I. OPERATING INCOME	**636,392**	**669,068**
Financial and similar expenses	15,232	16,234
Variation in financial investment provisions	(84)	0
Exchange losses	56,355	70,735
II. FINANCIAL INCOME	**0**	**0**
Share in losses of companies carried by the equity method	0	440
Amortization of goodwill in consolidation (note 9)	9,359	9,524
III. INCOME FROM ORDINARY ACTIVITIES	**619,130**	**629,519**
Variation in intangible and tangible fixed assets provisions	(251)	0
Losses on fixed assets (note 22)	19,720	22,100
Extraordinary expenses (note 22)	15,066	24,005
Prior year's expenses and losses	4,378	4,379
V. CONSOLIDATED INCOME BEFORE TAXES	**613,438**	**615,050**
Corporate income tax (note 21)	157,188	165,014
Other taxes (note 21)	7,619	7,560
VI. CONSOLIDATED INCOME FOR THE YEAR	**448,631**	**442,476**
Income attributed to minority interests	2,180	4,385
VII. INCOME FOR THE YEAR ATTRIBUTED TO THE CONTROLLING COMPANY	**446,451**	**438,091**

(*) Presented for comparison purposes only.

CREDIT	01-31-04	01-31-03*
B) REVENUES		
Net revenues (note 22)	4,598,908	3,973,973
Increase in finished product and work-in-process inventories	103,020	28,786
Other operating revenues	2,603	109
I. OPERATING LOSS	**0**	**0**
Revenues from shareholdings	48	35
Other financial revenues	11,196	10,011
Gains of short-terms financial investments	542	0
Exchange gains	51,739	47,029
II. FINANCIAL LOSS	**7,978**	**29,894**
Share in the income of companies carried by the equity method (note 8)	75	309
III. LOSS ON ORDINARY ACTIVITIES	**0**	**0**
Gains on fixed asset disposals (note 22)	5,392	1,437
Gains from disposals of holdings in companies carried by the equity method	371	0
Deferred revenues transferred to income for the year (note 17)	1,263	2
Extraordinary revenues and income (note 22)	22,157	8,322
Prior year's revenues and income	4,038	26,254
IV. EXTRAORDINARY LOSS	**5,692**	**14,469**

(*) Presented for comparison purposes only.

1.
GROUP DESCRIPTION

Industria de Diseño Textil, S.A. (hereinafter Inditex) and its subsidiaries form a group comprising companies engaging in the manufacturing and marketing of textiles and footwear, which Inditex manages on a centralised basis by applying policies and strategies at Group level.

The Group comprises several retail formats, in which all stages of the value generation process are controlled centrally: design, manufacture, supply chain management, logistics and retail sales. All business matters are managed independently in each retail format, while corporate and support services are shared, leading to significant synergies.

Certain Group companies render supplementary or support services to the core retail activity such as construction and refurbishment of stores, real estate services, etc.

The names of the retail formats and the number of stores at 31 January 2004 were as follows:

	NUMBER OF STORES		
RETAIL FORMAT	GROUP OPERATED	FRANCHISES	TOTAL
ZARA	567	59	626
KIDDY´S CLASS	103	0	103
PULL & BEAR	314	36	350
MASSIMO DUTTI	199	98	297
BERSHKA	247	6	253
STRADIVARIUS	154	37	191
OYSHO	74	2	76
ZARA HOME	26	0	26
Total	1,684	238	1,922

The Group operates mainly through subsidiaries in which it holds a controlling interest. Nevertheless, certain manufacturing and retail activities are carried out with partners with which the activity and the risk inherent therein is shared. For example, footwear is manufactured and products distributed in countries such as Germany, Italy and Japan through joint ventures. In countries considered to have higher risks or where the target markets for Inditex are small, the Group operates through franchises, the assets, liabilities and operations of which are not incorporated in the consolidated annual accounts.

Appendix I includes a detail of the consolidated subsidiaries, associated companies and multigroup companies in which a direct or indirect interest is held by the Controlling Company.

At 31 January 2004 the Group retail formats have stores in 48 countries. Details are as follows:

	NUMBER OF STORES		
COUNTRY	GROUP OPERATED	FRANCHISES	TOTAL
SPAIN	1,096	34	1,130
REST OF EUROPE	426	93	519
AMERICAS	153	19	172
REST OF WORLD	9	92	101
Total	1,684	238	1,922

2.
BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS AND CONSOLIDATION PRINCIPLES

A) IDENTIFICATION

The year ended 31 January 2003 will henceforth be referred to as '2002', the year ended 31 January 2004 will be referred to as '2003', and so on.

B) TRUE AND FAIR VIEW

The consolidated annual accounts at 31 January 2004 have been prepared on the basis of the accounting records of Industria de Diseño Textil, S.A. and of the subsidiaries comprising the Inditex Group in the format established by prevailing Spanish legislation to present fairly the shareholders' equity, financial position and results of operations of the Group.

The consolidated annual accounts of the Inditex Group at 31 January 2003 were approved by the shareholders' meeting within the legally stipulated period. The consolidated annual accounts for the year ended 31 January 2004 will be submitted for approval by the shareholders at their annual general meeting. The directors consider that the consolidated annual accounts for the year ended 31 January 2004 will be approved without any changes.

The individual annual accounts of Inditex at 31 January 2004 have been prepared by the directors in a separate document.

C) ACCOUNTING POLICIES

The consolidated annual accounts at 31 January 2004 have been prepared in accordance with the accounting principles and criteria summarised in note 4. All mandatory accounting principles with an effect on Group's net worth, the financial position and results of operations have been applied in the preparation of these consolidated annual accounts.

D) CONSOLIDATION PRINCIPLES

The consolidated annual accounts for 2003 have been prepared in accordance with legislation governing consolidation in Spain, deriving from European Union Directive 7. International Accounting Standards issued by the International Accounting Standards Board have been applied to areas not governed by Spanish legislation.

The following basic principles have been applied in consolidation of the annual accounts:

1. Companies over which effective control is exercised have been fully consolidated. Multigroup companies, which are managed jointly with third parties, have been consolidated by the proportional consolidation method.

Companies in which the Group has a significant influence but not ownership of a majority of the voting rights or joint management with third parties are carried by the equity method.

2. All material accounts receivable and payable, transactions and profits between fully consolidated companies have been eliminated.

Accounts receivable and payable, revenues, expenses and income of proportionally consolidated companies arising from transactions with other Group companies have been eliminated on consolidation in proportion to the ownership interest held by Inditex.

3. The equity of minority interests in the net worth and results of the consolidated subsidiaries is recorded under "Minority interests" and "Income attributed to minority interests" in the consolidated balance sheet and consolidated statement of income, respectively.

4. In the case of subsidiaries whose accounting and valuation methods differ from those of the Controlling Company, where the effect is material, adjustments have been made so as to present the consolidated financial statements on a uniform basis.

5. The financial statements of companies denominated in foreign currency have been translated to Euros using current exchange rates which implies:

- The assets and liabilities of foreign consolidated companies are translated into Euros at the exchange rate prevailing at year end. Equity is translated at the historic exchange rate and the average exchange rate for the year has been used for income and expense.

Exchange gains or losses arising from application of the aforementioned methods are reflected in consolidated equity under "Translation differences from fully consolidated companies" (note 15), less the portion attributable to minority interests, which is shown under "Minority interests" in the consolidated balance sheet.

6. Exchange differences arising on operations between Group companies have been treated as follows:

■ Exchange differences arising on monetary items with other consolidated companies which, in substance, form part of the net investment made by the Group in foreign companies, and for which settlement is neither planned nor likely to occur, are classified as net consolidated equity under "Translation differences from fully consolidated companies" until the disposal of the investment in the subsidiary at which time they are recognised as income or expense for that year. Exchange differences assigned to translation differences in 2003 amount to Euros 3,499 thousand and mainly reflect the effects of the devaluation of several Latin American currencies in which long term Group investment has been made.

■ On the other hand, exchange differences deriving from trade payables and receivables of consolidated companies with other consolidated companies, or financing operations for which payment or collection is probable, are taken to income or expenses during the year.

7. The balance sheets and statements of income of companies in Venezuela, Uruguay, Chile and Turkey have been adjusted prior to translation into Euros for the effects of fluctuations in prices. The Euros 344 thousand effect of inflation for the year on monetary assets and liabilities is included under "Exchange gains" in the consolidated statement of income for the year.

8. In accordance with standard practice in Spain, these consolidated annual accounts do not reflect the tax effect of including, where applicable, the reserves of subsidiary companies abroad in the accounting records of the Controlling Company since it is considered that reserves not taxed at source will not be transferred and because the consolidation process does not involve the distribution of reserves, since they will continue to be used as a self-financing source by each of the consolidated companies.

9. The financial statements of companies closing their accounts at a different date from the consolidated annual accounts have been consolidated at 31 December 2003 (Appendix I). Significant operations carried out between the date such subsidiaries close their accounts and the date of the consolidated annual accounts are harmonised. Transactions between Group companies are eliminated on consolidation.

F) CHANGES IN THE CONSOLIDATED GROUP

The following companies have been incorporated and integrated into the consolidated Group in 2003:
ZARA HOME PORTUGAL, CONF. SOC. UNIP. LDA.
BERSHKA ITALIA, S.R.L.
TEMPE MEXICO, S.A. de C.V.
ZARA HOME UK, LTD.
MASSIMO DUTTI ITALIA, S.R.L.
ZARA HOME HELLAS, S.A.
NAVIERA GRAN SOL, A.I.E.

Furthermore, the company called Brettos BRT España, S.A. at 31 January 2003 has changed its name to Zara Home España, S.A., Vehils, S.A. has been merged by Lefties España, S.A. and JSC Verpstas has been sold to third parties outside of the Group.

These changes have not had a significant impact on the consolidated annual accounts for 2003.

3.

DISTRIBUTION OF THE INCOME OF THE CONTROLLING COMPANY

The board of directors will propose to the shareholders of the Controlling Company at their annual general meeting that the net income for the year ended 31 January 2004 be distributed as follows:

		Thousands of Euros
DIVIDENDS		218,165
Ordinary	87,266	
Extraordinary	130,899	
VOLUNTARY RESERVES		54,570
NET INCOME OF THE CONTROLLING COMPANY		272,735

4.

SIGNIFICANT ACCOUNTING PRINCIPLES

The accompanying consolidated annual accounts of the Group at 31 January 2004 have been prepared in accordance with accounting principles established in prevailing Spanish legislation, the most significant of which are as follows:

A) START-UP EXPENSES

Start-up expenses are stated at cost net of amortisation generally calculated on a straight-line basis over a period of five years.

B) INTANGIBLE ASSETS

Intangible assets include the following:

- Intellectual property, which is stated at cost of acquisition or rights to use including expenses incurred on the registration of intellectual property developed by the Company. Intellectual property rights are amortised on a straight-line basis over a maximum period of ten years.
- Computer software is stated at cost and amortised on a straight-line basis over a period of five years.
- Rights over leased assets: the financial lease contracts of all the consolidated companies are recorded as intangible assets at the cost of the related asset, and the total debt for lease payments plus the amount of the purchase option are recorded as a liability. The difference between the two amounts, which represents the interest expenses on the transaction, is recorded as a deferred expense and is taken to income each year by the interest method.

Rights recorded as intangible assets are amortized over the useful life of the related asset, as explained in section c) below. The value of these rights and the related accumulated amortization are reclassified from these accounts to tangible fixed assets when the purchase option is exercised.

- Leasehold assignment rights: These rights are recorded at the amounts paid to the owner or the former lessor for use of leased premises. These rights are generally amortized over the term of lease contracts.

C) TANGIBLE FIXED ASSETS

Tangible fixed assets are carried at cost, which includes the additional expenses incurred to bring the assets into operating condition. In exceptional circumstances, provided prevailing accounting legislation is complied with, financial expenses incurred prior to the entry into service of assets are capitalized.

The costs of expansion, modernization or improvements which increase productivity, capacity or efficiency of assets or extend their useful life are capitalized.

Repair and maintenance costs are expensed when incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	YEARS
Buildings	18 to 50
Machinery and technical installations	3 to 13
Furniture	7 to 10
Computer hardware	4 to 8
Other tangible fixed assets	3 to 15

Investments in leased premises are depreciated over a period not exceeding the term of the corresponding lease contract.

Provision is made for possible future losses which may be incurred on refurbishment work carried out prior to the expiry of the useful lives of certain tangible assets located at the commercial premises where the Group operates. These provisions are charged to operating expenses as "Variation in provisions".

D) MARKETABLE SECURITIES AND OTHER SIMILAR FINANCIAL INVESTMENTS

Marketable securities representing the capital of companies which are not fully or proportionally consolidated (Appendix I), but in which an interest exceeding 20% is held, are carried by the equity method, at the underlying book value of the interest per the most recent balance sheet available of the investee.

Marketable securities representing interests of less than 20% are stated at the lower of cost or underlying book value per the most recent balance sheet available of the investee company. Provision is made where cost exceeds the underlying book value.

The underlying book value is adjusted by the amount of latent unrecorded goodwill at the date of acquisition which remains at the date of the subsequent valuation.

Short- and long-term non-trade loans are recorded at the amount disbursed. The difference between this amount and the loan principal is recorded as "Deferred interest revenues" with a balancing entry under the related fixed or current asset caption. Interest revenues are calculated by the interest method in the year in which they accrue.

E) CONTROLLING COMPANY SHARES

This caption comprises own shares acquired by the Controlling Company (Inditex) and are stated at the lower of cost, represented by the total amount paid for the acquisition, or market. In accordance with prevailing legislation, market is taken to be the lowest of average market price in the last quarter, market price at year end or the corresponding underlying net book value.

F) GOODWILL ON CONSOLIDATION

This caption in the accompanying consolidated balance sheet reflects the unamortized consolidation differences arising from the acquisition of consolidated subsidiary companies or companies carried by the equity method, which are expected to be recovered through the income reported by these investees in the future.

These differences are generally amortised on a straight-line basis over the ten-year period estimated by management of the Group to contribute to providing revenues (note 9).

G) DEFERRED CHARGES

This caption includes the following items:

■ Differences between the face value of debts and the amount received, which are charged to income by the interest method.

■ Expenses incurred on the acquisition of fixed assets, which are stated at the amount incurred and are expensed on a straight-line basis over a period of ten years.

H) INVENTORIES

Inventories are stated at cost of acquisition or production, which includes the cost of materials consumed, labour costs and manufacturing overheads. Provision is made for inventories where cost of acquisition or production exceeds market value and the decline in value is considered to be reversible. Market value is determined as follows:

■ Commercial inventories, raw materials and supplies are stated at the lower of replacement cost or the net realisable value.

■ Finished products are stated at realisable value, net of the related marketing expenses.

■ Work in process and semi-finished products are stated at the realisable value of finished products, net of the total manufacturing costs not yet incurred and marketing expenses.

The method used to calculate the acquisition price is determined by the type of asset, and, basically, the "first in – first out" (FIFO) method is used for fabrics and other textile supplies.

Obsolete, faulty or slow-moving inventories are restated at their possible realisable value.

I) CURRENT/LONG-TERM

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the balance sheet date.

J) ACCOUNTS RECEIVABLE

The Group makes provision for doubtful accounts in respect of overdue balances and when circumstances indicate doubtful collection.

K) PROVISIONS FOR CONTINGENCIES AND EXPENSES

The Inditex Group records provisions for the estimated amount required for probable or certain third-party liability arising from litigation in progress or from outstanding indemnity payments or obligations of undetermined amount, for collateral and other similar guarantees provided by the Group, and for other contingencies of any other kind that might arise as a result of the Group's activities. These provisions are recorded when the contingency or obligation giving rise to the indemnity or payment arises (see note 18).

Certain Group companies are required to pay retirement bonuses under the applicable collective agreements. The Group has provided for the actuarial estimation of the portion of retirement bonuses accrued at 31 January 2004.

L) DEBTS

Debts are recorded at face value and the difference between the face value and the amount received is recorded as deferred charges and is expensed on an accruals basis by the interest method.

M) CAPITAL SUBSIDIES AND OTHER DEFERRED REVENUES

Deferred revenues are stated at the amount received and are taken to income on a straight line basis over the estimated useful lives of the assets for which the subsidies have been received.

N) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated to Euros at the rates of exchange at the transaction date and are adjusted at year end to the exchange rate prevailing at that date, except for operations covered by hedging contracts, which are stated at the exchange rate negotiated.

Foreign exchange differences are recorded using the following criteria:

1. Exchange differences on foreign currency held by the companies are taken to income or expenses, as appropriate.

2. Exchange differences arising on the adjustment of foreign currency balances to year-end exchange rates are classified by due date and currency. Losses are charged to expenses while gains are deferred.

Ñ) RECOGNITION OF REVENUES AND EXPENSES

Revenue and expenses are recognised on an accruals basis.

Nevertheless, applying prudent criteria, the Group only records realised income at year end, while foreseeable contingencies and estimated losses are recognised as soon as they become known.

O) CORPORATE INCOME TAX

Corporate income tax expense each year is calculated on the basis of the consolidated accounting income before taxes of each Inditex Group company, increased or decreased, as appropriate, by the permanent differences.

Tax relief and tax credits taken in the year are treated as a reduction of the corporate income tax expenses for that year.

P) HEDGES

The Group arranges financial transactions (basically currency exchange rate hedges, options and forward contracts) to hedge a portion of its foreign currency imports and exports. Since these hedging transactions are not of a speculative nature, the gains or losses thereon are recorded on settlement of the transactions.

Q) COMPENSATION FOR TERMINATION OF EMPLOYMENT

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued. No provision has been made in this regard, as the directors of the Group companies do not foresee any significant dismissals in the future.

R) ENVIRONMENTAL ASSETS AND LIABILITIES

Installations and systems related to environmental management are not significant compared to the consolidated assets of the Group and are recorded using the criteria applied to fixed assets of a similar nature. The Directors consider that no environment-related contingent liabilities exist.

The Group also publishes an annual Sustainability Report at the same time as the consolidated annual accounts, providing details of its environmental policy and initiatives.

5.

START-UP EXPENSES

The variations in 2003 in the accounts comprising this caption of the accompanying consolidated balance sheet were as follows:

ITEM	BALANCE AT 02.01.03	ADDITIONS	TRANSFERS	AMORTISATION	OTHER	BALANCE AT 01.31.04
Incorporation expenses	47	24	0	(32)	1	40
Pre-opening expenses	314	82	(7)	(113)	1	277
Capital increase expenses	199	120	0	(108)	0	211
Total	560	226	(7)	(253)	2	528

6.

INTANGIBLE ASSETS

The variations in 2003 in the accounts comprising this caption of the accompanying consolidated balance sheet were as follows:

INTANGIBLE ASSETS	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	TRANSFERS	OTHER	BALANCE AT 01.31.04
Intellectual property	14,930	1,270	(142)	0	(51)	16,007
Goodwill	1,879	0	0	0	0	1,879
Leasehold assignment rights	354,785	71,142	(1,675)	2,858	(5,428)	421,682
Computer software	4,197	627	(8)	23	27	4,866
Rights over leased assets	116,519	16,694	0	(34,871)	0	98,342
Advances and other intangible assets	2,675	4,003	(81)	(2,136)	0	4,461
Provisions	(655)	0	251	0	0	(404)
Total	494,330	93,736	(1,655)	(34,126)	(5,452)	546,833

ACCUMULATED AMORTISATION	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	TRANSFERS	OTHER	BALANCE AT 01.31.04
Intellectual property	8,563	1,222	0	0	(6)	9,779
Goodwill	752	376	0	0	0	1,128
Leasehold assignment rights	78,047	25,958	(412)	248	(1,832)	102,009
Computer software	2,172	741	(8)	0	0	2,905
Rights over leased assets	26,387	2,549	0	(11,332)	(11)	17,593
Other intangible assets	296	206	(27)	0	0	475
Total	116,217	31,052	(447)	(11,084)	(1,849)	133,889

Additions mainly reflect investments during the year.

"Transfers" principally relate to leasing contracts that have expired during the year and have been transferred to tangible fixed assets. The column entitled "Other" mainly reflects the effect of adjustments in countries with high inflation rates (note 2, d-7), and the effect of translation differences in foreign subsidiaries.

At 31 January 2004 details of lease contracts entered into by Inditex Group companies, mainly relating to commercial premises, are as follows:

LEASED ASSETS	AMOUNT
Total cost of the assets	98,342
Prior years' lease payments	56,847
2003 lease payments	11,140
Outstanding lease payments	41,351
Purchase option	5,663

7.
TANGIBLE FIXED ASSETS

Details and movement in tangible fixed assets in 2003 are as follows:

TANGIBLE FIXED ASSETS	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	TRANSFERS	OTHER	BALANCE AT 01.31.04
Land and buildings	477,100	36,829	(10,897)	55,220	(890)	557,362
Machinery and installations	1,185,099	332,760	(51,136)	64,965	(5,497)	1,526,191
Furniture	115,955	43,418	(8,078)	707	844	152,846
Computer hardware	33,913	7,646	(847)	276	(227)	40,761
Other tangible fixed assets	46,851	1,149	(761)	(41)	(77)	47,121
Advances and construction in progress	87,542	64,039	(7,109)	(90,103)	(324)	54,045
Provisions	(23,955)	(15,202)	8,549	253	195	(30,160)
Total	1,922,505	470,639	(70,279)	31,277	(5,976)	2,348,166

ACCUMULATED DEPRECIATION	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	TRANSFERS	OTHER	BALANCE AT 01.31.04
Buildings	78,305	18,145	(1,763)	3,656	678	99,021
Machinery and installations	439,451	139,329	(31,567)	7,696	408	555,317
Furniture	42,414	18,061	(3,180)	(1,158)	875	57,012
Computer hardware	21,471	6,035	(245)	(29)	(196)	27,036
Other tangible fixed assets	7,721	3,679	(777)	(42)	(67)	10,514
Total	589,362	185,249	(37,532)	10,123	1,698	748,900

Additions comprise investments during the year, mainly in new stores and logistics centres, as well as refurbishments carried out in the premises where the Group operates.

Transfers reflect the cost of lease contracts which have expired during the year transferred to advances and construction in progress. Other tangible fixed assets reflects the effect of adjustment in countries with high inflation rates (note 2, d-7), and the effect of translation differences in foreign subsidiaries.

Reductions mainly relate to disposals of technical installations, deriving from the refurbishment of commercial premises where the Group operates, and the sale of assets.

The net book value of tangible fixed assets located outside Spain at year end amounts to approximately Euros 679 million and mainly comprises commercial premises, furniture and installations of opened stores.

At 31 January 2004 the gross cost of the Group's fully depreciated assets is as follows:

ITEM	AMOUNT
Buildings	380
Machinery and installations	75,962
Furniture	6,216
Computer hardware	9,289
Other tangible fixed assets	6,147
Total	97,994

At 31 January 2004 the Group has investment commitments totalling approximately Euros 600 million.

The Group contracts insurance policies to cover possible risks to which its tangible fixed assets are subject.

8.
LONG-TERM FINANCIAL INVESTMENTS

Detail of "Holdings in companies carried by the equity method" and movement in 2003 are as follows:

HOLDINGS IN COMPANIES CARRIED BY THE EQUITY METHOD	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	PROFIT/(LOSS) FOR THE YEAR	BALANCE AT 01.31.04
Fibracolor, S.A. and subsidiaries	7,537	0	0	75	7,612
JSC Verpstas	288	0	(288)	0	0
Other (note 21)	10,450	21,463	0	(16,337)	15,576
Total	18,275	21,463	(288)	(16,262)	23,188

Other includes the investment in the Economic Interest Groupings. The profit or losses of these EIGs, are recorded under "Corporate income tax" in the accompanying consolidated statement of income (note 21).

Fibracolor, S.A. is based in Tordera (Barcelona) and its activity consists of transforming all types of fabric through dying, finishing, printing and other processes. Inditex holds a 39.97% interest in this company.

In accordance with the agreements entered into with the shareholders of Fibracolor, in the future Inditex could be required to acquire shares to obtain the majority of the voting rights in this company. Were Inditex required to purchase these shares, incorporation of the figures of Fibracolor would not have a significant effect on the Group. At 31 December 2003 the shareholders' equity of Fibracolor, S.A. totalled Euros 24.9 million, the profit after tax for 2003 was Euros 0.19 million and its total assets amounted to Euros 66 million.

Movement in long-term investment securities is as follows:

DESCRIPTION	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	BALANCE AT 01.31.04
Long-term investment securities	5,890	180	(79)	5,991
Provisions	(102)	(6)	90	(18)
Total	5,788	174	11	5,973

The Group's long-term investment securities portfolio includes a Euros 4.96 million interest in Banco Gallego, S.A. The remaining balance comprises interests in other companies.

Details of other loans and movement during the year are as follows:

DESCRIPTION	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	TRANSFERS	OTHER	BALANCE AT 01.31.04
Public entities	21,887	2,780	0	(6,929)	0	17,738
Loans to multigroup companies	0	3,250	0	0	0	3,250
Long-term guarantees and deposits	29,932	18,133	(714)	782	(430)	47,703
Other loans	3,121	6,010	(59)	(1,500)	0	7,572
Total	54,940	30,173	(773)	(7,647)	(430)	76,263

9.
GOODWILL ON CONSOLIDATION

Details and movement in 2003 are as follows:

SUBSIDIARY	BALANCE AT 02.01.03	AMORTISATION FOR THE YEAR	BALANCE AT 01.31.04
Stradivarius España, S.A.	62,612	(9,359)	53,253

10.
DEFERRED CHARGES

Details of deferred charges and movement during the year are as follows:

DESCRIPTION	BALANCE AT 02.01.03	ADDITIONS	TRANSFERS AND OTHER	REDUCTIONS	WRITE DOWNS	BALANCE AT 01.31.04
Deferred interest	4,141	1,956	(301)	(573)	(1,368)	3,855
Fixed asset acquisitions and other expenses	9,790	7,804	271	(226)	(3,592)	14,047
Total	13,931	9,760	(30)	(799)	(4,960)	17,902

Deferred interest includes deferred interest on leasing contracts.

Reductions reflect the effect of interest rates revisions carried out by several leasing companies on deferred expenses and the effect of translation differences in foreign subsidiaries on fixed asset acquisition expenses.

Write downs of deferred interest are recorded as financial expenses in the accompanying consolidated statement of income. Write downs of expenses incurred on the acquisition of fixed assets are recorded as amortisation and depreciation.

11.
INVENTORIES

At 31 January 2004 details are as follows:

ITEM	BALANCE AT 01.31.04
Goods for resale	7,214
Raw materials	41,002
Other supplies	4,114
Work in progress	21,323
Finished products	412,661
Real-estate developments	593
Provisions	(467)
Total	486,440

Inditex Group policy is to contract insurance coverage of potential risks to which inventories are subject.

12.
ACCOUNTS RECEIVABLE

Customer receivables for sales and services mainly reflect balances receivable on the corresponding part of sales made to franchises and multigroup companies, sales to workshops and deferred customer collections.

Details of "Other accounts receivable" are as follows:

ITEM	BALANCE AT 01.31.04
Public entities (note 21)	195,706
Advances to personnel	613
Other	5,132
Total	201,451

13.
SHORT-TERM FINANCIAL INVESTMENTS

At 31 January 2004 details of other loans are as follows:

OTHER SHORT-TERM LOANS	BALANCE AT 01.31.04
Time deposits	131,357
Short-term guarantees and deposits	2,768
Short-term loans to personnel	838
Other	1,077
Total	136,040

"Short-term investment securities" in the accompanying consolidated balance sheet reflect the placement of cash surpluses in mutual funds, short-term deposits and other instruments, which generate interest at market rates.

14.
BALANCES WITH MULTIGROUP AND ASSOCIATED COMPANIES

Details of accounts payable to and receivable from associated and multigroup companies are as follows:

COMPANY	RECEIVABLE	PAYABLE
Associated companies	0	2,026
Multigroup companies	11,929	15,348
Total	11,929	17,374

Accounts receivable from multigroup companies are recorded under "Customer receivables for sales and services" and "Other accounts receivable – investments". Accounts payable to multigroup companies are recorded under "Trade accounts payable" and "Other non-trade payables" whereas accounts payable to associated companies are recorded under "Payable to companies carried by the equity method".

15.

SHAREHOLDERS' EQUITY

Details are as follows:

ITEM	BALANCE AT 02.01.03	ADDITIONS	REDUCTIONS	TRANSFERS	DIVIDENDS	BALANCE AT 01.31.04
Share capital	93,500	0	0	0	0	93,500
Additional paid-in capital	20,379	0	0	0	0	20,379
Unrestricted reserves of the Controlling Company	753,999	83	0	98,500	0	852,582
Restricted reserves of the Controlling Company	19,303	0	0	(358)	0	18,945
Revaluation reserves	1,692	0	0	0	0	1,692
Reserves at fully and proportionally consolidated companies	556,571	8,671	(3,858)	238,371	0	799,755
Reserves at companies carried by the equity method	(874)	0	0	334	0	(540)
Translation differences	(121,407)	724	(20,112)	13,978	0	(126,817)
2002 income	438,091	0	0	(350,825)	(87,266)	0
2003 income	0	446,451	0	0	0	446,451
Total	1,761,254	455,929	(23,970)	0	(87,266)	2,105,947

Additions comprise the effect of adjustments to shareholders' equity of companies in countries with high inflation (note 2, d-7).

Reductions in "Translation differences" mainly reflect devaluations of American currencies during the year.

Details of "Reserves at fully or proportionally consolidated companies" and "Translation differences" are shown per retail format, as the Group considers that a breakdown per company is strategic information relating to the geographic markets in which it operates. At 31 January 2004 details are as follows:

	RESERVES AT FULLY AND PROPORTIONALLY CONSOLIDATED COMPANIES	TRANSLATION DIFFERENCES
Zara	623,201	116,259
Pull & Bear	77,646	1,435
Kiddy's Class	29,364	0
Massimo Dutti	60,824	1,471
Bershka	43,513	6,387
Stradivarius	(22,396)	46
Oysho	(12,597)	1,215
Zara Home	200	4
Total	799,755	126,817

Appendix I contains details of the companies composing each chain.

SHARE CAPITAL

At 31 January 2004 the Controlling Company's share capital amounted to Euros 93,499,560 represented by 623,330,400 fully subscribed and paid shares of Euros 0.15 par value each. All these shares are of the same class and series, carry identical voting and dividend rights, and are represented by book entries.

Inditex shares are listed on the four Spanish stock exchanges and, consequently, the Company is unaware of its exact shareholder structure. On the basis of public information registered with the National Securities Market Commission, at 31 January 2004 the members of the board of directors or related parties held approximately 67% of the share capital of the Controlling Company (note 24).

TREASURY STOCK

At 31 January 2004 Inditex held 41,000 treasury stock shares, representing 0.0066% of share capital. The average acquisition price for these shares was Euros 2.18 per share.

In 2003 the Controlling Company sold a director 164,200 treasury stock shares as part of an stock option plan set up in 1998. No further operations have been carried out by Group companies with shares of the Controlling Company in 2003.

STOCK OPTION PLAN

On 20 July 2000, 19 January 2001 and 20 April 2001, the Shareholders' Meeting of Inditex resolved to implement a new Stock Option Plan under which option rights could be granted on a maximum of 3,018,400 common shares of Inditex of Euros 0.15 par value each. This Plan related to the members of Inditex's Board of Directors and to senior executives and other key employees of its corporate Group. Each option, when exercised, would give entitlement to one Inditex share.

The number of options to be granted depended on the appreciation of Inditex's shares in the Spanish Stock Exchange in 2001 and the two following calendar years.

Unless certain minimum appreciation levels are reached in any one of the above-mentioned years, no rights will vest for any of the Plan's beneficiaries in that year. The option exercise price is Euros 2.93, and the periods for exercise will commence two years after each of the periods for calculating the above-mentioned appreciation.

The Shareholders' Meeting delegated to the Board of Directors the power to determine how the directors, executives and other key employees will be chosen as beneficiaries of the Plan, and the number of options to be granted to each. In 2001 option contracts were entered into with a group of directors and executives under which up to 1,382,913 stock options could be awarded.

To cover the stock option plan, Banco Bilbao Vizcaya Argentaria, S.A. subscribed 3,018,400 of the shares in the capital increase carried out in January 2001, and signed a purchase option contract whereby Inditex could acquire the shares to be sold to the beneficiaries who exercise their options, should these options vest. Furthermore, Inditex arranged a swap with the aforementioned financial institution to determine the interest payments due to the investment in the Company's shares and regulate the monetary flows relating to this investment.

In 2001 and 2002 certain conditions described above were met and, consequently, the beneficiaries vested rights on the following options:

YEAR	OPTIONS GRANTED	OPTIONS OUTSTANDING AT 01.31.04	EXERCISE DATE
2001	523,700	—	January 2004
2002	179,503	173,705	January 2005
2003	—	—	—

The difference between options granted and those outstanding is due to the termination of employment relations with beneficiaries with consolidated rights. The period for exercise of the options accrued from 2001 prescribed on 30 January 2004 and the directors and executives with consolidated options exercised a total of 488,296 options on shares, which were acquired from the agent bank. The shares were transferred by Inditex to the beneficiaries of the Plan in February 2004, within the established period.

In 2003 the conditions described above were not met and, consequently, the beneficiaries have not vested any further rights.

On expiry of the three periods foreseen in the Plan, the maximum number of shares which may be transferred is 670,017. Consequently, the remaining shares total 2,348,383. The shareholders of Inditex at their Annual General Meeting can resolve to allocate these shares to new plans for the directors of Inditex and/or Group employees prior to the deadline mentioned in the following paragraph.

If on 30 January 2007 there are any remaining shares held by Banco Bilbao Vizcaya Argentaria, S.A., Inditex undertakes to submit to the shareholders at their first Annual General Meeting (ordinary or extraordinary) subsequent to that date a proposal for a capital reduction through the redemption of the subscribed shares held by Banco Bilbao Vizcaya Argentaria, S.A. which Inditex has not repurchased, at a price of Euros 2.93 per share.

LEGAL RESERVE

Under the revised Companies Act, 10% of the income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of capital stock.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount.

Except as mentioned above, until the legal reserve exceeds 20% of capital stock, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The consolidated companies' legal reserves have generally reached the legally stipulated level.

REVALUATION RESERVES ROYAL DECREE-LAW 7/1996 JUNE, 7

From the date on which the tax authorities have reviewed and approved the balance of the "Revaluation Reserve" Royal Decree-Law 7/1996 June, 7 account (or the three-year period for review has expired), the aforementioned balance can be used, free of tax, to offset recorded losses (both prior years' accumulated losses and current year losses or losses which might arise in the future), and to increase capital stock. From February 1, 2007 (ten years from the date of the balance sheet which reflected the revaluation transactions), the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized when deprecation has been taken for accounting purposes or when the revalued assets have been transferred or written-off the accounting records.

If leased assets are revalued, the corresponding revaluation reserve cannot be used until the purchase option has been exercised.

If this balance were used for purposes other than those foreseen in royal Decree-Law 7/1996, it would be subject to tax.

16.
MINORITY INTERESTS

Details of this caption and movement in 2003 are as follows:

ITEM	AMOUNT
Opening balance	19,336
Allocation of 2003 income	2,180
Dividends	(2,026)
Contributions	7,369
Other	358
Closing balance	27,217

At 31 January 2004 details per company are as follows:

COMPANY	CAPITAL STOCK	RESERVES	INCOME/(LOSS)	TOTAL
Zara Mexico, S.A. de C.V.	492	955	(18)	1,429
Indipunt, S.L.	505	7,147	3,010	10,662
Stradivarius España, S.A.	60	1,494	249	1,803
Jema Creaciones Infantiles, S.L.	84	160	81	325
Zara Italia, S.R.L.	13,230	61	(1,192)	12,099
Oysho Italia, S.R.L.	845	(309)	7	543
Bershka Mexico, S.A. de C.V.	1	189	63	253
Oysho Mexico, S.A. de C.V.	6	49	(4)	51
Pull & Bear Mexico, S.A. de C.V.	13	55	(16)	52
Total	15,236	9,801	2,180	27,217

Inditex has a purchase option on 9.95% of the share capital of Stradivarius España, S.A. owned by a minority shareholder which, in turn, has an option to sell this interest to Inditex. The period for exercising these options, which were granted when Inditex acquired a controlling interest, is from 2005 to 2010. The options were granted without any premium and can be exercised for Euros 11,960,000, plus 9.95% of the undistributed income of Stradivarius España, S.A. from the date of acquisition of the holding by Inditex until the date either of the options is exercised. The Group acquired its holding in Stradivarius España, S.A. in 1999 for Euros 108,242 thousand, which will be paid between 1999 and 2005 (note 20).

Inditex also has a purchase option on 50% of the share capital of Zara Deutschland, GmbH; Oysho Deutschland, GmbH and Massimo Dutti Deutschland, GmbH owned by Otto, GmbH which, in turn, has an option to sell its holdings in the aforementioned companies to Inditex. The period for exercising these options commenced in September 2001 and extends over the term of the agreement between the shareholders. The options were granted without any premiums and the exercise price will depend on the equity of the investee and the number of stores operated by this company at the date on which either option is exercised.

Inditex has a purchase option on 50% of the share capital of Zara Japan Corporation owned by Bigi Group. The period for exercising this option is the term of the agreement between the shareholders. The option was granted without any premium and the exercise price will depend on the equity of the investee and the number of stores operated by this company at the date on which either option is exercised.

In December 2003 Inditex began negotiations to purchase a 35% interest in Zara Japan Corporation from the other shareholder and thereby acquire a majority shareholding. As a result, a new contract of association is also being negotiated to govern the relationship between Inditex and the minority shareholder. At the date of these annual accounts these negotiations have not yet concluded, although a final agreement is expected to be reached in the first half of 2004. This acquisition will not significantly affect the consolidated balance sheet or the results of the Group.

Inditex has a purchase option on 5% of the share capital of Zara Mexico, S.A. de C.V., 3% of Bershka Mexico, S.A. de C.V., 1.5% of Oysho Mexico, S.A. de C.V. and 1.5% of Pull & Bear Mexico, S.A. de C.V., owned by the minority shareholder. The periods for exercising these options are the terms of the agreements between the shareholders. The options were granted without any premium and the exercise price will depend on the equity of the investees.

Furthermore, Inditex has a purchase option on 49% of the share capital of Zara Italia, S.R.L. and Oysho Italia, S.R.L. owned by the Percassi Group, which in turn has an option to sell its interest to Inditex. The period for exercising this option is the term of the agreement between the shareholders. The option was granted without any premium and the exercise price will depend on the equity of the investee and on the number of stores operated by this company at the date on which either option is exercised.

Subsequent to the year end Inditex began negotiations to increase its majority shareholding in Zara Italia, S.R.L. by acquiring a 30% interest in that company from a minority shareholder. As a result, a new contract of association is also being negotiated to govern the relationship between Inditex and the minority shareholder. At the date of these annual accounts these negotiations have not yet concluded, although a final agreement is expected to be reached in the first half of 2004. This acquisition will not significantly affect the consolidated balance sheet or the results of the Group.

The directors of Inditex do not consider that any significant variations in the results of operations or in the financial position of Inditex or of the consolidated Group will arise as a result of the exercise of any of the abovementioned options.

17.
DEFERRED REVENUES

"Deferred revenues" mainly include payments received from third parties for the refurbishment of premises in which the Group carries out its activity. Group companies have taken Euros 1,246 thousand to profit for such payments, recorded under "Extraordinary revenues and income" in the accompanying consolidated statement of income.

18.
PROVISIONS FOR CONTINGENCIES AND EXPENSES

Movement in provisions for contingencies and expenses in 2003 were as follows:

ITEM	BALANCE AT 02.01.03	PROVISIONS	AMOUNTS USED	OTHER	TRANSFERS	BALANCE AT 01.31.04
Pension and similar commitments with employees	3,287	143	(121)	6	23	3,338
Provision for third-party liability	37,799	12,960	(31,030)	(377)	253	19,605
Other long-term provisions	61	75	0	0	0	136
Total	41,147	13,178	(31,151)	(371)	276	23,079

The provision for third-party liability was made to cover risks associated with the Group's activity. At 31 January 2003 the provision included Euros 18 million relating to the charge made by the Controlling Company to cover its investment in Argentina. During the year the aforementioned provision has been reversed and taken to "Extraordinary revenues and income" (note 22) as Group management considers that the circumstances for which the provision was made no longer exist.

The column "Other" reflects the effect of translation differences in foreign subsidiaries.

19.
PAYABLE TO CREDIT ENTITIES

Details of the Inditex Group's debts to credit entities as of January 31, 2004, are as follows:

TYPE OF DEBT	LIMIT	BALANCE AT 01.31.04
Loans		139,222
Credit facilities	424,199	50,258
Lease transactions		47,014
Other financial debts		1,566
Total	424,199	238,060

All accounts payable to credit entities bear interest at the corresponding financial market rates.

At 31 January 2004 maturities of accounts payable by the Inditex Group to credit entities are as follows:

MATURITY	AMOUNT
To 31 January 2004	81,492
To 31 January 2005	47,827
To 31 January 2006	17,763
To 31 January 2007	11,305
Subsequent years	79,673
Total	238,060

20.
OTHER NON-TRADE PAYABLES

At 31 January 2004 details of "Long-term debt – other accounts payable" and "Current liabilities – other non-trade payables" are as follows:

LONG-TERM DEBT – OTHER ACCOUNTS PAYABLE	BALANCE AT 01.31.04
Guarantees received	221
Payable to fixed assets and other suppliers	11,558
Accrued taxes payable (note 21)	58,583
Personnel	3,717
Other long-term accounts payable	1,088
Total	75,167

CURRENT LIABILITIES – OTHER NON-TRADE PAYABLES	BALANCE AT 01.31.04
Accrued taxes payable (note 21)	272,859
Personnel	52,130
Payable to fixed assets suppliers	8,281
Current account with multigroup companies	13,946
Other accounts payable	9,555
Total	356,771

Long-term accounts payable to fixed assets and other suppliers include Euros 6,070 thousand relating to deferred payments for the acquisition of the Group's holding in Stradivarius España, S.A. (note 16).

Accrued taxes payable include deferred taxes, amounts payable for withholdings, mainly from personnel, income tax, VAT and social security for the last month of the year.

21.
TAX MATTERS

The consolidated companies file individual tax returns, except for Inditex and Indipunt, S.L. which file consolidated tax returns. Inditex is the Controlling Company of a tax group comprising the following companies:

Choolet, S.A.	Kettering, S.A.	Lefties España, S.A.	Comditel, S.A.
Zara España, S.A.	Pull & Bear Logística, S.A.	Denllo, S.A.	Bershka BSK España, S.A.
Glencare, S.A.	Confecciones Fíos, S.A.	Bershka Logística, S.A	Sircio, S.A.
Confecciones Goa, S.A.	Zara Logística, S.A.	Zara, S.A.	Hampton, S.A.
Inditex, S.A.	Plataforma Europa, S.A.	Kenner, S.A.	Pull & Bear España, S.A.
Stear, S.A.	Nikole, S.A.	Kiddy's Class España, S.A.	Massimo Dutti Logística, S.A.
Oysho España, S.A.	Zara Home España, S.A.	Samlor, S.A.	Trisko, S.A.
Grupo Massimo Dutti, S.A.	Textil Rase, S.A.	Zintura, S.A.	Goa-Invest, S.A.
Stradivarius España, S.A.	Yeroli, S.A.	Oysho Logística, S.A.	

Indipunt, S.L. is the Controlling Company of a subgroup with the subsidiary Jema Creaciones Infantiles, S.A.

The tax inspections which commenced in 2001 on the tax group comprising 36 companies headed by Inditex concluded during the year. The result of these inspections did not lead to any material adjustments to the consolidated statement of income. The years subsequent to 31 January 2001 are open to inspection.

"Other non-trade payables" include the liability for applicable taxes, including the provision for income tax for 2003, net of withholdings and prepayments made during the year.

"Accounts receivable – other accounts receivable" include the amounts recoverable from the tax authorities, including net recoverable VAT and prepaid taxes.

Inditex has a 49% interest in nine economic interest groupings engaged in the lease of assets, which have availed themselves of the tax incentives provided for in Additional Provision Fifteen of the Corporate Income Tax Law, having requested and obtained this tax benefit from the Ministry of the Economy and Finance. During the current year tax losses were incurred which reduced the income tax expense of Inditex. The Company has opted to allocate tax bases to the tax period in which the financial statements are approved. This investment is deemed to be a financial transaction and the estimated net return will be taken to income over the foreseeable life of the investment. The projected tax bases and accounting results for future years have given rise to a thousands of Euros 27,278 increase in the corporate income tax expense. As a result, considering the permanent differences recorded in relation to this item, the net effect of these investments on the income statement is income tax revenue of Euros 5,826 thousand.

The corporate income tax expense for 2003 was calculated on the basis of income reported for accounting purposes, by applying generally accepted accounting principles, which does not necessarily coincide with taxable income.

The corporate income tax expense of the companies composing the Spanish consolidated tax subgroups of which Inditex and Indipunt are the controlling companies, respectively, was determined in accordance with the Resolution of 9 October 1997 of the ICAC (the Spanish Accounting and Audit Institute), taking into account, in addition to the individual tax parameters, timing and permanent differences deriving from the consolidation process and the tax credits and tax relief for the amount applicable under the tax regime for corporate groups.

The corporate income tax expense for the Group was calculated by aggregating the tax expense of each of the individual companies determined in accordance with prevailing corporate and tax legislation in force in the countries where the different Group companies operate, taking into account the adjustments deriving from the application of consolidation methods, pursuant to Article 60 of Royal Decree 1815 of 20 December 1991 enacting the regulations governing the preparation of consolidated annual accounts.

A reconciliation of the Group's 2003 accounting income with taxable income for corporate income tax purposes is as follows:

	AMOUNT
Accounting income for the year	446,451
Accrued corporate income tax	164,807
Net permanent differences:	
Individual companies	(90,773)
Consolidation adjustments	8,041
Net timing differences:	
Individual companies	(13,151)
Consolidation adjustments	(59)
Offset of prior years' losses	(1,192)
Taxable income	514,124

Positive permanent differences mainly reflect non-deductible expenses, charges to non-deductible provisions, the recognition of a portion of the tax revenue generated on the contribution of rights over certain fixed assets to a subsidiary, and the exemption of profit generated through a permanent establishment based abroad.

Negative permanent differences mainly relate to the recognition, for fiscal transparency purposes, of tax losses incurred by economic interest groupings.

The Group has charged Euros 7,619 thousand relating to withholding tax to the "Other taxes" caption in the accompanying statement of income.

The companies have recorded the prepaid and deferred income taxes arising from timing differences relating to the different methods for recognising certain revenues and expenses for accounting and tax purposes. The related cumulative amounts as of 31 January 2003 and 2004 are as follows:

	BALANCE AT 01/31/03	BALANCE AT 01/31/04
Deferred tax liabilities	61,031	67,867
Deferred tax assets	39,306	38,766

These amounts include Euros 14,923 thousand of deferred taxes relating to transactions between the companies composing the tax group.

The companies comprising the consolidated Group have availed themselves of the tax credits provided by current corporate income tax legislation. Although the companies have not yet filed their corporate income tax returns for 2003, the provision for corporate income tax in the accompanying consolidated financial statements includes tax credits totalling Euros 39,411 thousand.

22.
REVENUES AND EXPENSES

A) TRANSACTIONS WITH MULTIGROUP AND ASSOCIATED COMPANIES

Details of the Inditex Group's transactions in 2003 with equity accounted and multigroup companies are as follows:

	PURCHASES AND SERVICES RECEIVED	SALES AND SERVICES RENDERED	FINANCIAL EXPENSES	FINANCIAL REVENUES
Associated companies	8,402	0	0	0
Multigroup companies	90,585	42,895	141	33
Total	98,987	42,895	141	33

B) NET SALES

La distribución del importe neto de la cifra de negocios por actividades y por mercados geográficos ha sido la siguiente:

	TOTAL	SPANISH COMPANIES	FOREIGN COMPANIES
Net sales at Group operated stores	4,019,087	2,086,497	1,932,590
Net sales to franchises	271,582	261,968	9,614
Other textile sales	253,401	251,218	2,183
Services rendered	39,109	16,520	22,589
Other sales	15,729	15,729	0
Total	4,598,908	2,631,932	1,966,976

The accompanying directors' report provides more detailed information relating to net sales.

C) EMPLOYEES

The headcount as of 31 January 2004 was as follows:

	NUMBER OF EMPLOYEES
Spain	22,114
Abroad	17,646
Total	39,760

The breakdown of the employee welfare expenses is as follows:

	AMOUNT
Employer social security costs	129,012
Other employee welfare expenses	17,166
Total	146,178

D) DISTRIBUTION OF NET INCOME

The detail of the net income contributed by the consolidated companies, grouped by line of business, is as follows:

LINE OF BUSINESS	AMOUNT
Retail distribution	403,345
Manufacturing	30,198
Others	12,908
Total	446,451

E) FOREIGN CURRENCY TRANSACTIONS

The transactions performed by the Group in the year, by currency, are as follows (in thousands of Euros):

CURRENCY	NET SALES	% OF NET SALES
Euro	3,802,513	83%
Other European currencies	246,039	5%
US Dollar	56,736	1%
Other American currencies	461.395	10%
Other currencies	32.225	1%
Total	4,598,908	100%

Approximately 20% of the purchases were made in US Dollars and the remaining 80% in Euros.

F) EXTRAORDINARY RESULTS

The losses on fixed assets relate mainly to the write-off of installations due to refurbishing of commercial premises where the Group operates.

Other extraordinary expenses comprise non-recurring expenses, which are not individually significant.

Other extraordinary revenues mainly include the reversal of the provision for contingencies and expenses (note 18).

23.
HEDGING OPERATIONS

As it has a global presence, the Inditex Group is exposed to exchange rate fluctuations affecting the currencies in which it operates. The Group monitors its risk positions and its policy is to systematically hedge the main currency flows.

Hedging operations in different currencies have been negotiated and carried out in 2003, mainly for the US Dollar, Pound Sterling, Japanese Yen and Mexican Peso. Hedging operations at 31 January 2004 are as follows:

TYPE OF COVERAGE	PURCHASE CURRENCY	SALE CURRENCY	NOMINAL PURCHASE	TYPE OF OPTION
Forward currency purchase	USD	EUR	84,500,000	
European options	USD	EUR	30,000,000	Call purchase
Average exchange rate options (Asia)	EUR	GBP	11,000,000	Put purchase
Average exchange rate options (Asia)	EUR	GBP	11,000,000	Call sale
Average exchange rate options (Asia)	MXN	USD	920,000,000	Put purchase
Average exchange rate options (Asia)	MXN	USD	920,000,000	Call sale

All the abovementioned operations mature in the short term.

24.
DIRECTORS' COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

DIRECTORS' COMPENSATION

In 2003 the members of the Controlling Company's board of directors earned total remuneration of Euros 4,928, as follows:

	EXECUTIVE DIRECTORS	DIRECTORS OF GROUP AND ASSOCIATED COMPANIES	TOTAL
Fixed and variable remuneration	3,954	0	3,954
Remuneration for board members	415	559	974
Total	4,369	559	4,928

The Inditex Group has not granted any loans or advances to any of the directors and it does not have any pension or life insurance commitments with the board. In accordance with the relevant employment contracts, the executive directors, except for the Chairman, receive an indemnity equivalent to one year's salary if they resign or their services are terminated.

TRANSACTIONS WITH RELATED COMPANIES

In 2003 the Group has earned revenues on transactions with the members of the board of directors and related companies totalling Euros 4,243 thousand , mainly in relation to work carried out by the Group construction company. These transactions have been invoiced at market prices.

Group companies have leased a total of 31 commercial premises owned by a company related to Directors of the Controlling Company. The majority of these lease contracts were entered into prior to 1994 and expire between 2014 and 2016. Rental instalments paid by the Group in 2003 for the aforementioned premises, calculated at market prices, amount to Euros 5,304 thousand.

In 2003 the Group sold two premises forming part of a Zara store to a company controlled by one of the its directors for Euros 1,322 thousand and a lease contract was established between the seller and the purchaser. The aforementioned director had previously obtained ownership of the remaining premises which form part of the store and are also leased to Zara España. S.A. Rental instalments paid by the aforementioned store are included in the preceding paragraph.

In December 2003 a Group company acquired an entity in order to open a Zara store on the premises the investee owned. The acquired company had previously been purchased through an auction by an entity related to one of the directors, who transferred the investment for the same price and expenses incurred. The director obtained no profit on this operation, which amounted to Euros 17,432 thousand.

Furthermore, in 2003 one of the Group companies made a contribution of Euros 150 thousand to the Fundación Paideia Galiza, which is related to one of the members of the board of directors, pursuant to a mutual collaboration agreement. This was the last contribution in relation to this contract.

At 31 January 2004 Group company balances receivable from and payable to members of the board of directors and related companies total Euros 148 thousand and Euros 61 thousand respectively. These balances derive from the aforementioned transactions.

The aforementioned transactions have been carried out under market conditions and have not had, either individually or as a whole, a significant effect on net sales or the Company's balance sheet.

INTERESTS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS IN SHARE STOCK

According to the public records of the National Securities Market Commission (CNMV), at 31 January 2004 the members of the board of directors held the following direct or indirect interests in the capital stock of Inditex:

BOARD MEMBER OR REPRESENTATIVE	OWNER OF SHARES	NUMBER OF SHARES	PERCENTAGE OWNERSHIP
D. Amancio Ortega Gaona	Gartler, S.L.	369,600,063	59.29%
Dª Rosalía Mera Goyenechea	Rosp Corunna Participaciones Empresariales, S.L.	43,590,000	6.99%
D. Juan Carlos Rodríguez Cebrián	Individual	2,722,067	0.44%
D. José María Castellano Ríos	Individual	1,373,863	0.22%
D. Antonio Abril Abadín	Individual	168,276	0.03%
D. Carlos Espinosa de los Monteros	Individual	11,646	0.00%
D. J. Manuel Urgoiti López de Ocaña	Individual	5,000	0.00%
D. Francisco Luzón López	Individual	98,565	0.02%
Total		417,569,480	66.99%

The board members not mentioned in the above table held no shares at year end.

25.
EXTERNAL AUDITORS

In addition to the audit of the annual accounts of the Inditex Group, audit services rendered by KPMG Auditores, S.L. include limited review procedures for quarterly closes of certain Group companies.

Details of the fees and expenses accrued by firms associated to KPMG International in relation to the services rendered to Group companies in 2003 are as follows:

ITEM	AMOUNT
Audit services	2,847
Corporate responsibility services	142
Other services	145
Total	3,134

Services not included in audit services is as follows:

■ Corporate responsibility services include the review of suppliers' workshops and factories.

■ Other services comprise legal and tax advisory services rendered to foreign subsidiaries, advice in the implementation of international accounting standards, and other work.

On the basis of information received from the auditors, fees received from the Inditex Group by KPMG or associated firms do not exceed 0.032% of total revenues.

APPENDIX I
COMPOSITION OF THE INDITEX GROUP

The companies composing the consolidated group as of 31 January 2004 are as follows:

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	CLOSING DATE	CHAIN	LINE OF BUSINESS
Subsidiaries:						
Industria de Diseño Textil, S.A.	Controlling Co.	La Coruña - Spain	Global Int.	01/31/04	Zara	Controlling Company
Comditel, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Zara	Textile purchasing centre
Inditex Asia, Ltd.	100.00%	Hong-Kong - China	Global Int.	01/31/04	Zara	Textile purchasing centre
Zara Asia, Ltd.	100.00%	Hong-Kong - China	Global Int.	01/31/04	Zara	Textile purchasing centre
Choolet, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Confecciones Fíos, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Confecciones Goa, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Denllo, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Hampton, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Jema Creaciones Infantiles, S.L.	45.90%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Kenner, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Kettering, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Nikole, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Samlor, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Sircio, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Stear, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Textil Rase, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Trisko, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Yeroli, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Zintura, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Glencare, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
Indipunt, S.L.	51.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Textile manufacturing
UAB Rofestas	100.00%	Vilnius - Lithuania	Global Int.	01/31/04	Zara	Textile manufacturing
Zara España, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Retailing
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	Global Int.	01/31/04	Zara	Retailing
Zara Belgique, S.A.	100.00%	Brussels - Belgium	Global Int.	01/31/04	Zara	Retailing
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	Global Int.	12/31/03	Zara	Retailing
Zara USA Inc.	100.00%	New York - USA	Global Int.	01/31/04	Zara	Retailing
Zara France, S.A.R.L.	100.00%	Paris - France	Global Int.	01/31/04	Zara	Retailing
Zara UK, Ltd.	100.00%	London - United Kingdom	Global Int.	01/31/04	Zara	Retailing
Zara Hellas, S.A.	100.00%	Athens - Greece	Global Int.	01/31/04	Zara	Retailing
Zara México, S.A. de C.V.	95.00%	Mexico DF - Mexico	Global Int.	12/31/03	Zara	Retailing
Zara Portugal Confecçoes Lda.	100.00%	Lisbon - Portugal	Global Int.	01/31/04	Zara	Retailing
Zara Venezuela, S.A.	100.00%	Caracas - Venezuela	Global Int.	01/31/04	Zara	Retailing

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	CLOSING DATE	CHAIN	LINE OF BUSINESS
Grupo Zara Uruguay, S.A.	100.00%	Montevideo -Uruguay	Global Int.	01/31/04	Zara	Retailing
Zara Brasil, Lda.	100.00%	São Paulo -Brazil	Global Int.	12/31/03	Zara	Retailing
Zara Nederland, B.V.	100.00%	Amsterdam - Holland	Global Int.	01/31/04	Zara	Retailing
Zara Österreich Clothing, GmbH	100.00%	Vienna - Austria	Global Int.	01/31/04	Zara	Retailing
Zara Danmark A/S	100.00%	Copenhagen - Denmark	Global Int.	01/31/04	Zara	Retailing
Zara Sverige, AB	100.00%	Stockholm - Sweden	Global Int.	01/31/04	Zara	Retailing
Zara Norge, AS	100.00%	Oslo - Norway	Global Int.	01/31/04	Zara	Retailing
Zara Canada, Inc.	100.00%	Montreal - Canada	Global Int.	01/31/04	Zara	Retailing
Zara Suisse S.A.R.L.	100.00%	Freiburg - Switzerland	Global Int.	01/31/04	Zara	Retailing
Zara Luxembourg, S.A.	100.00%	Luxembourg - Luxembourg	Global Int.	01/31/04	Zara	Retailing
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istambul - Turkey	Global Int.	01/31/04	Zara	Retailing
Zara Italia, S.R.L.	51.00%	Milan - Italy	Global Int.	01/31/04	Zara	Retailing
Zara Ceská Republika, S.R.O.	100.00%	Prage - Czech Republic	Global Int.	01/31/04	Zara	Retailing
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	Global Int.	01/31/04	Zara	Retailing
Za Clothing Ireland, Ltd.	100.00%	Dublin - Ireland	Global Int.	01/31/04	Zara	Retailing
Kiddy´s Class España, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Kiddy´s Class	Retailing
Kiddy´s Class Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Global Int.	01/31/04	Kiddy´s Class	Retailing
Oysho España, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Oysho	Retailing
Oysho Venezuela, S.A.	100.00%	Caracas - Venezuela	Global Int.	01/31/04	Oysho	Retailing
Oysho Portugal, Conf. Lda.	100.00%	Lisbon - Portugal	Global Int.	01/31/04	Oysho	Retailing
Oysho Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Global Int.	12/31/03	Oysho	Retailing
Oysho Italia, S.R.L.	51.00%	Milan - Italy	Global Int.	01/31/04	Oysho	Retailing
Oysho Nederland, B.V.	100.00%	Amsterdam - Holland	Global Int.	01/31/04	Oysho	Retailing
Oysho Hellas, S.A.	100.00%	Athens - Greece	Global Int.	01/31/04	Oysho	Retailing
Oysho Österreich, GmbH	100.00%	Vienna - Austria	Global Int.	01/31/04	Oysho	Retailing
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti Hellas, S.A.	100.00%	Athens - Greece	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100.00%	Istambul -Turkey	Global Int.	12/31/03	Massimo Dutti	Retailing
Massimo Dutti Venezuela, S.A.	100.00%	Caracas - Venezuela	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti UK, Ltd.	100.00%	London - United Kingdom	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti Suisse, S.A.R.L.	100.00%	Freiburg - Switzerland	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti Sverige, AB	100.00%	Stockholm - Sweden	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti Norge, AS.	100.00%	Oslo - Norway	Global Int.	01/31/04	Massimo Dutti	Retailing
Massimo Dutti Italia, S.R.L.	100.00%	Milan - Italy	Global Int.	01/31/04	Massimo Dutti	Retailing
Vajo, N.V.	100.00%	Brussels- Belgium	Global Int.	01/31/04	Massimo Dutti	Retailing
Pull & Bear España, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Pull & Bear	Retailing
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	Global Int.	01/31/04	Pull & Bear	Retailing
Pull & Bear Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Global Int.	01/31/04	Pull & Bear	Retailing
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istambul -Turkey	Global Int.	31/12/03	Pull & Bear	Retailing
Pull & Bear Venezuela, S.A.	100.00%	Caracas - Venezuela	Global Int.	01/31/04	Pull & Bear	Retailing

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	CLOSING DATE	CHAIN	LINE OF BUSINESS
Pull & Bear Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Global Int.	12/31/03	Pull & Bear	Retailing
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Global Int.	01/31/04	Pull & Bear	Retailing
Bershka BSK España, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Bershka	Retailing
Bershka Portugal Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Global Int.	01/31/04	Bershka	Retailing
Bershka Hellas, S.A.	100.00%	Athens - Greece	Global Int.	01/31/04	Bershka	Retailing
Bershka Mexico, S.A. de C.V.	97.00%	Mexico DF - Mexico	Global Int.	12/31/03	Bershka	Retailing
Bershka BSK Venezuela, S.A.	100.00%	Caracas - Venezuela	Global Int.	01/31/04	Bershka	Retailing
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100.00%	Istambul -Turkey	Global Int.	12/31/03	Bershka	Retailing
Bershka Belgique, S.A.	100.00%	Brussels - Belgium	Global Int.	01/31/04	Bershka	Retailing
Bershka France, S.A.R.L.	100.00%	Paris - France	Global Int.	01/31/04	Bershka	Retailing
Bershka Suisse, S.A.R.L.	100.00%	Freiburg - Switzerland	Global Int.	01/31/04	Bershka	Retailing
Bershka Nederland, B.V.	100.00%	Amsterdam - Holland	Global Int.	01/31/04	Bershka	Retailing
Bershka Italia, S.R.L.	100.00%	Milan - Italy	Global Int.	01/31/04	Bershka	Retailing
Stradivarius España, S.A.	90.05%	Barcelona - Spain	Global Int.	01/31/04	Stradivarius	Retailing
Stradivarius Hellas, S.A.	90.05%	Athens - Greece	Global Int.	01/31/04	Stradivarius	Retailing
Stradivarius Portugal, Conf. Unip. Lda.	90.05%	Lisbon - Portugal	Global Int.	01/31/04	Stradivarius	Retailing
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	90.15%	Istambul -Turkey	Global Int.	12/31/03	Stradivarius	Retailing
Zara Home España, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara Home	Retailing
Zara Home Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Global Int.	01/31/04	Zara Home	Retailing
Zara Home UK, Ltd.	100.00%	London - United Kingdom	Global Int.	01/31/04	Zara Home	Retailing
Zara Home Hellas, S.A.	100.00%	Athens - Greece	Global Int.	01/31/04	Zara Home	Retailing
Bershka Logística, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Bershka	Logistics
Massimo Dutti Logística, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Massimo Dutti	Logistics
Oysho Logística, S.A.	100.00%	Barcelona - Spain	Global Int.	01/31/04	Oysho	Logistics
Pull & Bear Logística, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Pull & Bear	Logistics
Zara Logística, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Logistics
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	Global Int.	01/31/04	Zara	Logistics
Corporación de Servicios XXI, S.A. de C.V.	100.00%	Mexico DF - Mexico	Global Int.	12/31/03	Zara	Services
Zara Financiën, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Finance
Zara Mexico, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Finance
Zara Holding, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Portfolio
Massimo Dutti Holding, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Massimo Dutti	Portfolio
Zalapa, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Portfolio
Zara Merken, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Exploitation of trademarks
Goa-Invest, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Construction and real estate
Zara Vastgoed, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Real estate
Vastgoed Asia, Ltd.	100.00%	Hong Kong - China	Global Int.	01/31/04	Zara	Real estate
SNC Zara France Immobiliere	100.00%	Paris - France	Global Int.	12/31/03	Zara	Real estate
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	Global Int.	12/31/03	Zara	Real estate
SCI Vastgoed France P03301	100.00%	Paris - France	Global Int.	12/31/03	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	Global Int.	12/31/03	Zara	Real estate
SCI Vastgoed Nancy P03304	100.00%	Paris - France	Global Int.	12/31/03	Zara	Real estate
Zara Vastgoed Hellas, S.A.	100.00%	Athens - Greece	Global Int.	01/31/04	Zara	Real estate

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	CLOSING DATE	CHAIN	LINE OF BUSINESS
Invercarpro, S.A.	100.00%	Madrid - Spain	Global Int.	01/31/04	Zara	Real estate
Robustae S.G.P.S. Unip. Lda.	100.00%	Lisbon - Portugal	Global Int.	01/31/04	Zara	Real estate
Inditex Cogeneración, AIE	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Cogeneration plant
Inditex, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Inactive as of 01/31/04
Zara Italia, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Inactive as of 01/31/04
Fruminga, B.V.	100.00%	Breda - Holland	Global Int.	01/31/04	Zara	Inactive as of 01/31/04
Zara, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Inactive as of 01/31/04
Zara, S.A.	100.00%	Buenos Aires - Argentina	Global Int.	01/31/04	Zara	Inactive as of 01/31/04
Lefties España, S.A.	100.00%	La Coruña - Spain	Global Int.	01/31/04	Zara	Inactive as of 01/31/04

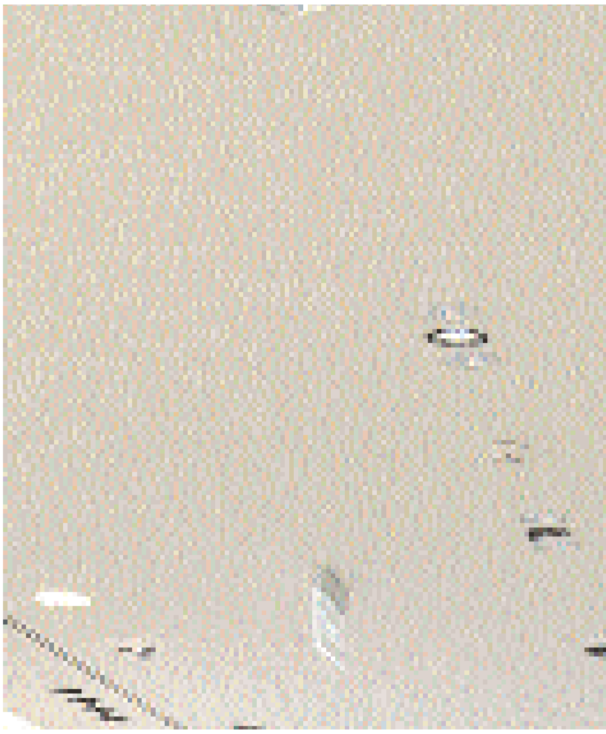
Multigroup companies:

Tempe, S.A.	50.00%	Alicante - Spain	Prop. Int.	01/31/04	Zara	Marketing of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico DF - Mexico	Prop. Int.	12/31/03	Zara	Marketing of footwear
Tempe Logística, S.A.	50.00%	Alicante - Spain	Prop. Int.	01/31/04	Zara	Logistics
Zara Japan Corp.	50.00%	Tokyo - Japan	Prop. Int.	01/31/04	Zara	Retailing
Zara Deutschland, GmbH	50.00%	Hamburg - Germany	Prop. Int.	01/31/04	Zara	Retailing
Massimo Dutti Deutschland, GmbH	50.00%	Hamburg - Germany	Prop. Int.	01/31/04	Massimo Dutti	Retailing
Oysho Deutschland, GmbH	50.00%	Hamburg - Germany	Prop. Int.	01/31/04	Oysho	Retailing
Group Zara Australia Pty. Ltd.	50.00%	Sidney - Australia	Prop. Int.	01/31/04	Zara	Inactive as of 01/31/04

Associated companies:

Fibracolor Decoración, S.A.	39.97%	Barcelona - Spain	Equity	12/31/03	Zara	Decoration
Fibracolor, S.A.	39.97%	Barcelona - Spain	Equity	12/31/03	Zara	Purchase and treatment of cloth
Naviera Elealva, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera Celeste, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera del Miño, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera del Sil, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera Venus, A.I.E	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera Berlín, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera Covadonga, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera Gran Sol, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing
Naviera Guadiana, A.I.E.	49.00%	Las Palmas - Spain	Equity	12/31/03	Zara	Assets leasing

CONSOLIDATED MANAGEMENT REPORT



1. CONSOLIDATED FINANCIAL STATEMENTS

INDITEX GROUP
2003 PROFIT & LOSS ACCOUNT *(Millions of euros)*

	FY 2003	FY 2002	VAR % 03/02
Net Sales	4,598.9	3,974.0	16%
Cost of sales	(2,293.0)	(1,926.2)	
Gross Profit	2,306.0	2,047.8	13%
Gross Margin	*50.1%*	*51.5%*	
Operating expenses	(1,432.5)	(1,179.7)	21%
Operating cash flow (EBITDA)	873.5	868.1	1%
EBITDA margin	*19.0%*	*21.8%*	
Fixed assets depreciation	(221.2)	(185.4)	19%
Goodwill amortisation	(9.4)	(9.5)	
Provisions	(15.9)	(13.7)	
Operating income (EBIT)	627.0	659.5	-5%
EBIT margin	*13.6%*	*16.6%*	
Net financial expenses	(7.9)	(30.0)	
Ordinary income	619.1	629.5	-2%
Ordinary margin	*13.5%*	*15.8%*	
Extraordinary income (loss)	(5.7)	(14.5)	
Income before taxes	613.4	615.1	0%
EBT margin	*13.3%*	*15.5%*	
Taxes	(164.8)	(172.6)	
Net income before minorities	448.6	442.5	1%
	9.8%	11.1%	
Minorities	(2.2)	(4.4)	
Net Income	446.5	438.1	2%
Net income margin	*9.7%*	*11.0%*	
Earnings per share, euro cents (*)	71.6	70.3	2%

** On 623,330,400 shares*

INDITEX GROUP

CONSOLIDATED BALANCE SHEET AS OF JANUARY 31, 2004 *(Millions of euros)*

	JANUARY 31 2004	JANUARY 31 2003
ASSETS		
Net fixed assets *	2,118.3	1,791.3
Goodwill	53.3	62.6
Deferred charges	17.9	13.9
Total fixed assets	2,189.4	1,867.8
Inventories	486.4	382.4
Receivables	328.9	237.7
Cash & cash equivalents	496.4	516.0
Accruals	9.3	9.8
Total current assets	1,320.9	1,146.0
TOTAL ASSETS	3,510.4	3,013.8
SHAREHOLDERS' EQUITY & LIABILITIES		
Shareholders' equity	2,105.9	1,761.3
Minority interest, deferred revenues & provisions	80.0	69.0
Long term financial debt	156.6	129.3
Other long term payables	75.2	41.4
Long term liabilities	311.7	239.8
Short term financial debt	81.5	144.5
Trade and other non-trade payables	1,011.2	868.2
Current liabilities	1,092.7	1,012.7
TOTAL LIABILITIES	3,510.4	3,013.8

** Includes Treasury stock for 89,313€ in Jan 2004 and 447,000€ in Jan 2003*

INDITEX GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS *(Millions of euros)*

	FY 2003	FY 2002	VAR % 03/02
Net income	446.5	438.1	2%
Adjustments to income			
Depreciation and amortization	229.2	197.5	
Changes in provisions	9.5	26.3	
Gains on fixed assets disposals	(5.8)	(1.4)	
Losses on fixed assets disposals	19.7	14.3	
Income (loss) attributed to minority interest	2.2	4.4	
Deferred and prepaid tax	7.4	8.0	
Other	13.3	29.6	
Funds from operations	722.0	716.8	1%
Changes in assets and liabilities			
Increase in inventories	(104.0)	(28.6)	
Increase in accounts receivable	(81.8)	(49.0)	
Increase in accrual accounts	(0.1)	(2.6)	
Decrease in current liabilities	189.8	110.4	
Changes in working capital	3.9	30.2	
Cash from operations	725.9	747.0	-3%
Intangible assets investments	(93.7)	(68.6)	
Tangible assets investments	(471.7)	(396.5)	
Acquisitions of businesses	(41.9)	(1.2)	
Addition to other long-term financial investments	(29.4)	(14.5)	
Other assets investments	(8.0)	(5.1)	
Fixed assets sales and retirements	16.3	18.7	
Capital expenditure	(628.4)	(467.2)	35%
Increase in long-term financial debt	25.8	0.0	
Decrease in long-term financial debt	0.0	(8.3)	
Net decrease in other long-term debt	2.0	(27.5)	
Net increase in current debt	(63.0)	29.2	
Dividends	(89.3)	(71.8)	
Other financing activities	7.4	5.5	
Cash used in financing activities	(117.1)	(72.9)	61%
Net increase in cash and cash equivalents	(19.6)	206.9	
Cash and cash equivalents at beginning of the year	516.0	309.1	
Cash and cash equivalents at end of the year	496.4	516.0	

2. COMMENTS ON THE CONSOLIDATED RESULTS

INDITEX results for FY2003 reflect a difficult trading environment in the second half of the year. The high temperatures in Europe over the third quarter resulted in weak sales performance and a strong discounting activity during the fourth quarter in the major markets where INDITEX operates.

As a consequence of this and the effect of exchange rates, the gross margin has decreased by 140 b.p. in the FY. The growth in LFL sales over the period has not been enough to offset the costs involved in the new openings, resulting in a decrease in the EBIT margin of almost 300 b.p.

At FYE INDITEX operated 1,922 stores in 48 countries through eight different concepts: Zara, Kiddy's Class, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home. A list of the stores as at FYE by concept and by country is shown in Annex III.

2.1
SALES

Net sales reached €4,598.9 million, an increase of 16% over the previous year (20% constant currency basis).

NUMBER OF STORES AND OPENINGS

The list of openings and existing stores at FYE is as follows:

	NET OPENINGS		CURRENT STORES	
CONCEPT	FY 2003	FY 2002	31 JAN 2004	31 JAN 2003
Zara	95	65	626	531
Kiddy´s Class	44	18	103	59
Pull & Bear	54	47	350	296
Massimo Dutti	47	27	297	250
Bershka	56	46	253	197
Stradivarius	38	33	191	153
Oysho	4	38	76	72
Zara Home	26	0	26	0
Total	364	274	1.922	1.558

A detail of quarterly openings and stores opened as at FYE by concept and by country is included in Annexes II and III.

COMPANY-MANAGED STORES AND FRANCHISES

The breakdown of company-managed stores and franchised stores at FYE is the following:

Company-managed and franchised stores

	2003			2002		
CONCEPT	CO. MAG.	FRANCHISES	TOTAL	CO. MAG.	FRANCHISES	TOTAL
Zara	567	59	626	487	44	531
Kiddy's Class	103	—	103	59	—	59
Pull & Bear	314	36	350	262	34	296
Massimo Dutti	199	98	297	162	88	250
Bershka	247	6	253	191	6	197
Stradivarius	154	37	191	118	35	153
Oysho	74	2	76	71	1	72
Zara Home	26	—	26	—	—	—
Total	1,684	238	1,922	1,350	208	1,558

SELLING AREA

The selling area of company-managed stores and franchised stores at FYE is as follows:

Selling area (sqM) in company-managed and franchised stores

	TOTAL SELLING AREA			SALES PER SQM (€)		
	31 JAN 2004	31 JAN 2003	CH % 03/02	2003	2002	VAR % 03/02
Zara	686,090	561,800	22%	5,192	5,511	-6%
Kiddy's Class	20,614	12,200	69%	5,926	6,145	-4%
Pull & Bear	67,175	51,700	30%	4,819	6,254	-23%
Massimo Dutti	62,060	51,600	20%	7,742	6,720	15%
Bershka	85,835	64,400	33%	5,064	5,028	1%
Stradivarius	49,808	39,100	27%	3,474	3,922	-11%
Oysho	10,932	11,100	-2%	4,371	2,109	107%
Zara Home	5,843	—	—	—	—	n/a
Total	988,357	791,900	25%	5,220	5,525	-6%

LIKE-FOR-LIKE SALES (LFL)

Store sales are those that occur in company-managed stores and franchised stores of any of the Group's concepts, net of any consumption tax and converted to euros at the average exchange rates for the fiscal year.

The Group's like-for-like sales grew by 1% in FY2003. Like-for-like represents the annual change in store sales of any concept of the Group that were opened for the whole of fiscal years 2003 and 2002, converted to a fixed exchange rate.

Below is the increase in like-for-like sales bi-annually for the last six fiscal years:

LFL sales

	2003	2002	2001	2000	1999	1998
First Half	6%	12%	9%	13%	6%	13%
Second Half	(2%)	10%	9%	9%	5%	12%
Full Year	1%	11%	9%	9%	5%	11%

The like-for-like calculation of the year includes 56% of the selling area as at FYE 2003 (stores opened for the whole two last years).

Sales growth in constant currency coming from space not included in LFL calculation, was 19% in FY2003.

EXCHANGE RATES IMPACT ON SALES

The table below shows the growth in sales by accumulative quarters without considering the effect of variations in exchange rates:

	1Q	2Q	3Q	4Q
Sales growth with average exchange rates	15%	19%	16%	16%
Sales growth at constant rates	22%	25%	20%	20%
Difference	(7%)	(6%)	(4%)	(4%)

The weakness of the USD vs. € over the last months of the FY is the reason why the exchange rate impact for all the year 2003 has been similar to that of the first nine months of the FY.

SALES BY CONCEPT

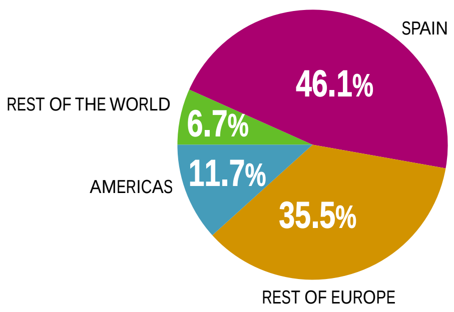
A detail of net sales by concept in FY2003 and FY2002 is shown in the table below:

	NET SALES *(Million €)*			% ON TOTAL	
CONCEPT	2003	2002	VAR % 03/02	2003	2002
Zara	3,219.6	2,913.4	11%	70.0%	73.3%
Kiddy's Class	89.7	60.4	49%	1.9%	1.5%
Pull & Bear	287.9	266.2	8%	6.3%	6.7%
Massimo Dutti	388.9	287.3	35%	8.5%	7.2%
Bershka	395.0	299.3	32%	8.6%	7.5%
Stradivarius	162.0	124.1	31%	3.5%	3.1%
Oysho	45.1	23.4	93%	1.0%	0.6%
Zara Home	10.6	—	n/a	0.2%	n/a
Total sales	4,598.9	3,974.0	16%	100.0%	100%

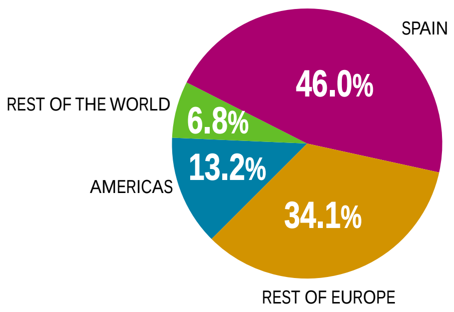
STORE SALES BY GEOGRAPHIC AREA

The following graph shows the breakdown of store sales by geographic areas:

2003



2002



European markets (ex-Spain) are absorbing the greatest part of the international growth (140 b.p.) while the weight of the Americas has decreased (150 b.p.) mainly due to the depreciation of the currencies of the area.

The percentage of international store sales by concept in relation to total stores sales is the following:

% International store sales

CONCEPT	2003	2002
Zara	63.5%	62.5%
Kiddy's Class	13.4%	14.7%
Pull & Bear	31.0%	29.6%
Massimo Dutti	40.9%	40.6%
Bershka	33.8%	32.0%
Stradivarius	16.6%	18.5%
Oysho	35.1%	46.5%
Zara Home	8.5%	n/a
Total sales	53.9%	54.0%

SALES IN COMPANY-MANAGED AND FRANCHISED STORES

The table below shows the breakdown of sales in company-managed and franchised stores for each of the concepts of the Group:

Store sales in company-managed and franchised stores

	2003		2002	
CONCEPT	COMPANY MANAGED	FRANCHISED	COMPANY MANAGED	FRANCHISED
Zara	92%	8%	92%	8%
Kiddy's Class	100%	0%	100%	0%
Pull & Bear	91%	9%	92%	8%
Massimo Dutti	65%	35%	60%	40%
Bershka	97%	3%	98%	2%
Stradivarius	80%	20%	79%	21%
Oysho	98%	2%	99%	1%
Zara Home	100%	0%	—	—
Total	90%	10%	90%	10%

2.2
GROSS MARGIN

The gross margin has increased to €2,306.0 million, 13% higher than the previous year. As a percentage of sales it decreased by 140 basis points to reach 50.1% (51.5% in FY2002). This was mainly due to the effect of exchange rates on margins in countries where the local currency depreciated vs. euro (84 b.p.), to the price harmonization in some euro-zone countries (14 b.p.) and to the impact of higher markdowns during the end-of-season sales period (42 b.p.) compared to last year.

2.3
OPERATING CASH FLOW (EBITDA)

The EBITDA of FY2003 amounts to €873.5 million, an increase of 1% compared to the previous year.

Below is a breakdown of operating expenses over the last two years:

	2003	2002	VAR 03/02
Personnel expenses	678.2	569.9	19%
Other operating expenses	754.3	609.8	24%
Total operating expenses	1,432.5	1,179.7	21%

(millions of euros)

At FYE 2003 the number of employees reached 39,760 (32,535 at FY2002).

The growth in LFL sales over the year has not been enough to offset the increase in operating costs due to the new selling space which has resulted in a 140 b.p. operating de-leverage. This effect and the above-mentioned decrease in gross margin has situated the EBITDA margin at 19.0% of sales (21.8% in FY2002).

2.4
OPERATING INCOME (EBIT)

EBIT for the year amounts to €627.0 million, which represents a decrease of 5% in relation to the previous year, and a 13.6% of sales (16.6% in FY2002).

Ordinary provisions charged to the profit and loss account mainly relate to the Group's estimated write-downs of not fully depreciated assets due to the refurbishment of existing stores.

The increase in depreciation charges and its quarterly evolution included in Annex I reflects the calendar effect of store openings and of the start into operation of new logistic assets.

EBIT BY CONCEPT

The breakdown of the operating income (EBIT) by concept is the following:

	EBIT BY CONCEPT *(Million €)*			% EBIT ON SALES		EBIT BY CONCEPT ON TOTAL (%)	
CONCEPT	2003	2002	% CHNG. 03/02	2003	2002	2003	2002
Zara	476.1	540.4	(12%)	14.8%	18.5%	75.9%	81.9%
Kiddy's Class	18.0	14.1	27%	20.0%	23.4%	2.9%	2.1%
Pull & Bear	18.9	34.9	(46%)	6.6%	13.1%	3.0%	5.3%
Massimo Dutti	60.1	37.5	60%	15.5%	13.1%	9.6%	5.7%
Bershka	57.3	48.1	19%	14.5%	16.1%	9.1%	7.3%
Stradivarius	4.4	8.7	(50%)	2.7%	7.0%	0.7%	1.3%
Oysho	2.1	(14.9)	n/a	4.7%	(63.5%)	0.3%	(2.3%)
Zara Home	(0.5)	0.0	n/a	(4.5%)	n/a	(0.1%)	0.0%
Goodwill	(9.4)	(9.4)	n/a	(0.2%)	(0.2%)	(1.5%)	(1.4%)
Total EBIT	627.0	659.5	(5%)	13.6%	16.6%	100.0%	100.0%

2.5
ORDINARY INCOME

Ordinary income amounts to €619.1 million, which represents a 2% decrease over FY2002

Net financial results breakdown is as follows:

	2003	2002
Net financial expenses	(3.4)	(6.2)
Foreign exchange losses	(4.6)	(23.7)
Net losses of companies carried by the equity method	0,1	(0.1)
Total	(7.9)	(30.0)

(millons of euros)

Net financial expenses are lower than in FY2002 due to the evolution of the net financial position. Foreign exchange losses are principally due to the impact of exchange rates over inter-company financing operations and cash balances, mainly in Latin American subsidiaries.

2.6
INCOME BEFORE TAXES

Income before taxes amounts to €613.4 million, similar to that of FY2002.

Extraordinary results include write-offs of fixed assets. At year end it has not been considered necessary to maintain the provisions booked in previous quarters for possible assets write-offs.

2.7
NET INCOME BEFORE MINORITIES AND NET INCOME

Net income before minorities reached €448.6 million, an increase of 1% in relation to FY2002. The tax rate for 2003 is 27% versus a 28% in FY2002.

Net income amounts to €446.5 million, an increase of 2% over FY2002.

DIVIDEND PROPOSAL

Inditex's Board of Directors will propose to the General Shareholders Meeting an ordinary dividend of €87 million (€14 cents per share) and a bonus dividend of €131 million (€21 cents per share), resulting a total dividend of €218 million (€35 cents per share).

The Board of Directors has agreed to increase progressively the proportion of net income distributed as ordinary dividend in the coming years.

RETURN ON EQUITY (ROE)

The table below shows the Group's Return on Equity, defined as net income divided by average Shareholder's equity.

Return on equity

DESCRIPTION	2003	2002	2001	2000	1999	1998	1997
Net income	446.5	438.1	340.4	259.2	204.8	153.1	117.4
Shareholders equity - previous year	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9	414.9
Shareholders equity - current year	2,105.9	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9
Average equity	1,933.6	1,623.7	1,328.5	1,032.0	783.3	601.6	472.4
Return on equity	23%	27%	26%	25%	26%	25%	25%

RETURN ON CAPITAL EMPLOYED (ROCE)

The table below shows Inditex Return on Capital Employed, defined as EBIT divided by average capital employed (Shareholder's equity plus net financial debt).

Return on Capital Employed (ROCE)

DESCRIPTION	2003	2002	2001	2000	1999	1998	1997
EBIT	627.0	659.5	517.5	379.9	296.2	241.5	191.5
Average capital employed							
Average shareholders' equity	1,933.6	1,623.7	1,328.5	1,032.0	783.3	601.6	472.4
Average net financial debt (*)	0.0	0.0	0.0	100.3	121.5	73.1	72.1
Total average capital employed	1,933.6	1,623.7	1,328.5	1,132.3	904.8	674.7	544.5
Return on capital employed	32%	41%	39%	34%	33%	36%	35%

(*) Zero when net cash

ROCE BY CONCEPT

The table below shows the Return on Capital Employed by concept:

ROCE by concept

	2003	2002
CONCEPT	ROCE	ROCE
Zara	33%	43%
Kiddy's Class	80%	131%
Pull & Bear	16%	39%
Massimo Dutti	56%	49%
Bershka	46%	49%
Stradivarius (*)	5%	12%
Oysho	7%	—
Zara Home	—	—
Total	32%	41%

(*) Before goodwill amortisation

3. COMMENTS ON THE BALANCE SHEET

The Consolidated Balance Sheet of INDITEX maintains a similar structure to that of FY2002, without net financial debt and with negative working capital, a consequence of the business model.

NET FINANCIAL POSITION

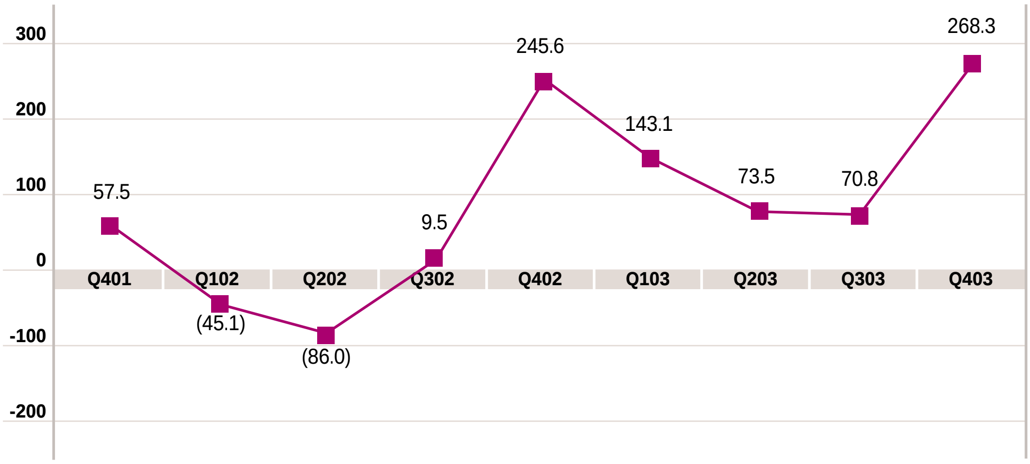
The net financial position is shown in the table below:

Net financial position *(millions of euros)*

DESCRIPTION	JANUARY 31 2004	JANUARY 31 2003
Cash & cash equivalents	496.4	516.0
Long term financial deposits	6.5	0.0
Long term financial debt	(156.6)	(129.3)
Short term financial debt	(81.5)	(144.5)
Deferred financial expenses	3.5	3.4
Net financial cash (debt)	268.3	245.6

The evolution of the net financial position during the last nine quarters has been the following:

NET FINANCIAL POSITION 2002 & 2003 *(millions of euros)*



WORKING CAPITAL

The table below shows a breakdown of working capital for the last two fiscal years:

WORKING CAPITAL *(Millions of euros)*

DESCRIPTION	JANUARY 31 2004	JANUARY 31 2003
Inventories	486.4	382.4
Receivables	328.9	237.7
Accruals	9.3	9.8
Short term liabilities	(1,011.2)	(868.2)
Operating working capital	(186.6)	(238.3)
Cash & cash equivalents	496.4	516.0
Short term financial debt	(81.5)	(144.5)
Financial working capital	414.9	371.5
Total working capital	228.2	133.2

Working capital financing has decreased by 22% to €186.6 million (€238.3 million in FY2002). This evolution is due, among others, to non-trading elements such as, reclassification of liabilities in the long term, payments for fixed assets' debt and variations in taxes balances.

The trading working capital has followed the same trend showed in previous years, with a similar growth rate for inventories, trade receivables and trade payables.

4. COMMENTS ON THE CASH FLOW STATEMENT

The summary of the cash flow statement is the following:

Cash flow summary *(Millions of euros)*

	F 2003	F 2002	%CH 03/02
Net income	446.5	438.1	2%
Funds from operations	722.0	716.8	1%
Changes in working capital	3.9	30.2	
Cash from operations	725.9	747.0	-3%
Net capital expenditure	(628.4)	(467.2)	35%
Free cash flow	97.5	279.8	-65%
Dividends	(89.3)	(71.8)	
Net debt decrease	(17.6)	(186.0)	
Others	9.4	(22.0)	

Funds from operations in FY 2003 have increased slightly and free cash flow has reached €97.5 million, after a €89.3 million dividend payment to shareholders.

5. START OF FY2004

The Spring-Summer 2004 collections have been well-received by our customers.

The store openings plan for FY2004 is the following:

FY2004 openings forecast

CONCEPT	RANGE	% INTERNATIONAL	TOTAL 2003
Zara	100-110	80%	95
Kiddy's Class	20-30	10%	44
Pull & Bear	20-30	25%	54
Massimo Dutti	30-40	50%	47
Bershka	50-55	50%	56
Stradivarius	30-35	10%	38
Oysho	20-25	25%	4
Zara Home	30-35	5%	26
Total openings	300-360		364

Approximately 70% of the contracts have been secured but in some cases openings may not take place in FY2004.

Despite the fact that nearly half of the new openings will be in Spain, the Group expects the volume of international sales to grow more than domestic sales, as has been happening in the last fiscal years.

Expected CAPEX in FY2004 is between €650 million and €700 million. The opening of new stores and the refurbishment of existing stores will represent the majority of the CAPEX.

INDITEX has initiated negotiations with its partners both in Italy and Japan to increase its stake to a larger controlling position in the joint ventures for Zara in each country. The total investment is included in the above mentioned CAPEX Plan.

6. OTHER INFORMATION

RESEARCH AND DEVELOPMENT EXPENSES

The Inditex Group has not carried out, and has not engaged third parties to carry out research and development projects, to be performed over several years and for which investment is earmarked to develop products expected to generate revenues in more than one year.

Nevertheless, since the incorporation of the company, management has applied available technology in all areas of its activity to improve manufacturing and distribution processes and developed, with own resources or the assistance of third parties, instruments with which to improve business management. Examples include point-of-sale terminals, stock administration and management systems, distribution centre systems, communication with stores and in-store garment labelling systems.

OPERATIONS WITH OWN SHARES

The only operation with shares of the controlling company carried out by Group companies is described in note 15 of the consolidated annual accounts for the year 2003.

APPENDIX I
INCOME STATEMENTS: QUATERLY RESULTS

	2003				2002				% 03/ 02			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	979.4	999.9	1,220.6	1,399.0	850.4	809.8	1,097.9	1,215.8	15%	23%	11%	15%
Cost of sales	(480.1)	(509.9)	(582.8)	(720.1)	(412.8)	(398.0)	(497.0)	(618.4)	16%	28%	17%	16%
Gross Profit	499.3	490.0	637.8	678.9	437.6	411.8	601.0	597.4	14%	19%	6%	14%
Gross Margin	*50.98%*	*49.00%*	*52.25%*	*48.53%*	*51.46%*	*50.85%*	*54.74%*	*49.14%*				
Operating expenses	(319.9)	(333.9)	(372.7)	(406.0)	(271.5)	(270.3)	(302.7)	(335.1)	18%	24%	23%	21%
	33%	*33%*	*31%*	*29%*	*32%*	*33%*	*28%*	*28%*				
Operating cash flow (EBITDA)	179.4	156.1	265.0	272.9	166.2	141.4	298.2	262.3	8%	10%	-11%	4%
EBITDA margin	*18.3%*	*15.6%*	*21.7%*	*19.5%*	*19.5%*	*17.5%*	*27.2%*	*21.6%*				
Fixed assets depreciation	(48.5)	(52.4)	(56.5)	(63.8)	(43.0)	(48.5)	(49.0)	(44.9)	13%	8%	15%	42%
Goodwill amortisation	(2.3)	(2.4)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.3)				
Provisions	(4.3)	(1.9)	(2.6)	(7.1)	(4.9)	(2.6)	(3.1)	(3.1)				
Operating income (EBIT)	124.3	99.4	203.6	199.7	115.9	87.9	243.6	212.1	7%	13%	-16%	-6%
EBIT margin	*12.7%*	*9.9%*	*16.7%*	*14.3%*	*13.6%*	*10.9%*	*22.2%*	*17.4%*				
Net financial expenses	1.2	(3.2)	(3.9)	(2.0)	(14.0)	(6.1)	(7.1)	(2.9)				
Ordinary income	125.5	96.2	199.7	197.7	101.8	81.9	236.6	209.2	23%	17%	-16%	-6%
Extraordinary income (loss)	(5.0)	(8.0)	(6.9)	14.2	(0.1)	(8.6)	(7.9)	2.1				
Income before taxes	120.5	88.2	192.8	211.9	101.7	73.3	228.7	211.3	18%	20%	-16%	0%
Taxes	(36.1)	(24.4)	(51.9)	(52.4)	(33.6)	(18.9)	(72.6)	(47.4)				
Net income before minorities	84.4	63.8	140.9	159.5	68.2	54.3	156.1	163.9	24%	17%	-10%	-3%
Minorities	(2.3)	0.2	(2.3)	2.3	(1.3)	(0.3)	(2.8)	0.1				
Net Income	82.1	64.0	138.6	161.8	66.8	54.1	153.2	164.0	23%	18%	-10%	-1%
Net income margin	*8.4%*	*6.4%*	*11.4%*	*11.6%*	*7.9%*	*6.7%*	*14.0%*	*13.5%*				

APPENDIX II
SUMMARY OF NET OPENINGS AND NET STORES OPENED BY QUARTER IN 2003 AND 2002

NUMBER OF NET STORE OPENINGS IN EACH QUARTER

CONCEPT	1Q 2003	2Q 2003	3Q 2003	4Q 2003	TOTAL 2003	1Q 2002	2Q 2002	3Q 2002	4Q 2002	TOTAL 2002
Zara	19	11	32	33	95	15	3	31	16	65
Kiddy's Class	11	6	18	9	44	0	1	8	9	18
Pull & Bear	18	8	18	10	54	9	5	18	15	47
Massimo Dutti	9	8	20	10	47	5	5	8	9	27
Bershka	15	13	11	17	56	5	8	18	15	46
Stradivarius	8	12	8	10	38	3	8	13	9	33
Oysho	(4)	3	0	5	4	16	9	11	2	38
Zara Home	0	0	16	10	26	0	0	0	0	0
Total stores	76	61	123	104	364	53	39	107	75	274

NUMBER OF STORES BY THE END OF EACH QUARTER

CONCEPT	1Q 2003	2Q 2003	3Q 2003	4Q 2003	1Q 2002	2Q 2002	3Q 2002	4Q 2002
Zara	550	561	593	626	481	484	515	531
Kiddy's Class	70	76	94	103	41	42	50	59
Pull & Bear	314	322	340	350	258	263	281	296
Massimo Dutti	259	267	287	297	228	233	241	250
Bershka	212	225	236	253	156	164	182	197
Stradivarius	161	173	181	191	123	131	144	153
Oysho	68	71	71	76	50	59	70	72
Zara Home	0	0	16	26	—	—	—	—
Total stores	1,634	1,695	1,818	1,922	1,337	1,376	1,483	1,558

APPENDIX III
STORES BY CONCEPT AND COUNTRY AS AT 31 JANUARY 2004

	Zara	Kiddy's Class	Pull&Bear	M.Dutti	Bershka	Stradivarius	Oysho	Zara Home	Total	Co.Mag.
Spain	221	90	241	181	167	159	49	22	1,130	1,096
Portugal	40	13	47	40	26	20	10	2	198	158
France	76			2	3	1			82	82
Belgium	16		1	16	4				37	21
Holland	4			1	2				7	6
United Kingdom	25			6				1	32	32
Germany	26			4					30	30
Sweden	1			2					3	3
Norway				1					1	1
Andorra	1		1	1					3	
Austria	4								4	4
Denmark	3								3	3
Luxembourg	2			1					3	2
Iceland	1								1	
Ireland	1		6						7	1
Finland	3								3	
Italy	12				1		2		15	15
Switzerland	3			3	2				8	8
Poland	6								6	
Czech Republic	1								1	1
Greece	25		8	5	9		1	1	49	49
Slovenia	1								1	
Slovakia			1						1	
Malta	1		3						4	
Cyprus	3		2	1	2	2			10	
Israel	12		13						25	
Lebanon	2		1	2	1				6	
Turkey	10								10	10
Kuwait	3		2	1		1	1		8	
United Arab Emirates	4		3	4	3	2			16	
Saudi Arabia	12			4		3	1		20	
Bahrain	1		1	1					3	
Qatar	1		1	1		1			4	
Jordan	1		1	1		2			5	
Canada	10								10	10
United States	12								12	12
Dominican Republic	1								1	
Mexico	33		12	17	25		11		98	81
Venezuela	8		6	2	8		1		25	25
El Salvador	1								1	
Brazil	13								13	13
Argentina	5								5	5
Chile	5								5	5
Uruguay	2								2	2
Japan	9								9	9
Singapore	2								2	
Russia	1								1	
Malaysia	2								2	
	626	103	350	297	253	191	76	26	1,922	1,684

APPENDIX IV
EIGHT-YEAR FINANCIAL SUMMARY

DESCRIPTION	2003	2002	2001	2000	1999	1998	1997	1996	CAGR 03/96
P&L:									
Net Sales	4,598.9	3,974.0	3,249.8	2,614.7	2,035.1	1,614.7	1,217.4	1,008.5	24%
YoY%	*16%*	*22%*	*24%*	*28%*	*26%*	*33%*	*21%*		
EBITDA	873.5	868.1	704.5	521.5	410.4	325.7	253.6	202.1	23%
YoY%	*1%*	*23%*	*35%*	*27%*	*26%*	*28%*	*25%*		
EBIT	627.0	659.5	517.5	379.9	296.2	241.5	192.6	150.3	23%
YoY%	*-5%*	*27%*	*36%*	*28%*	*23%*	*25%*	*28%*		
Net Income	446.5	438.1	340.4	259.2	204.7	153.1	117.4	72.7	30%
YoY%	*2%*	*29%*	*31%*	*27%*	*34%*	*30%*	*61%*		
Balance sheet:									
Shareholders' equity	2,105.9	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9	414.9	26%
YoY%	*20%*	*19%*	*27%*	*31%*	*33%*	*27%*	*28%*		
Total balance sheet	3,510.4	3,013.8	2,588.6	2,107.6	1,772.9	1,326.3	977.2	820.3	23%
YoY%	*16%*	*16%*	*23%*	*19%*	*34%*	*36%*	*19%*		
Net financial position	268.3	245.6	57.5	(50.6)	(149.9)	(93.0)	(38.3)	(105.8)	
Stores:									
Number of stores at FY-end	1,922	1,558	1,284	1,080	922	748	622	541	
Net openings	364	274	204	158	174	126	81	33	
Number of countries with stores	48	44	39	33	30	21	14	10	
Other information:									
% International sales	54%	54%	54%	52%	49%	46%	42%	36%	
LFL	1%	11%	9%	9%	5%	11%	7%	4%	
ROE	23%	27%	26%	25%	26%	25%	25%	20%	
ROCE	32%	41%	39%	34%	33%	36%	35%	29%	
Number of employees	39,760	32,535	26,724	24,004	18,200	15,576	10,891	8,412	

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