INDITEX

Annual Report
2004

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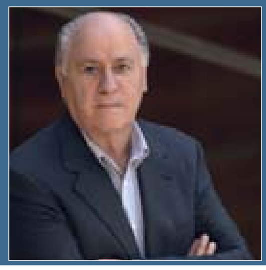


01_0 Letter from the Chairman

Dear Shareholders,

Having closed Inditex's consolidated accounts for FY2004, we are pleased to publish the Group's new Annual Report, which highlights the most important aspects of the evolution of our business during the past year. Once again, as company chairman, I am pleased to address you applying the full information transparency standards which characterise the Group, fostering clear communication with our shareholders and society as a whole.

The results achieved in 2004 show a considerable improvement on 2003. The 23% increase in turnover represents a return to the levels reached in prior years. Similarly, net profit is up 41%, partly due to the favourable comparison with FY2003, but also due to a large extent to the improvement in margins.

At 53.5% in 2004, Company's gross margin is up on recent years due to better sales management in all of our chains. All of the Group's store formats have performed satisfactorily during this financial year, thereby confirming the success of the segmented market approach strategy. The improvement in certain chains, such as Pull and Bear and Stradivarius, where specific efforts were recommended following low 2003 results is especially noteworthy, as both chains have significantly increased all their ratios. Similarly, in only slightly over one year, the most recent format, Zara Home, has met the forecasts set by the Group, generating profit in 2004.

Overall, performance during 2004 has satisfied the expectations set for Inditex's sustained growth potential. 322 new stores have been opened in 37 countries spanning four continents, eight of these countries representing new markets for the Group. Expansion has continued to focus on Europe, where more than 90% of the net openings took place. After Spain, the majority of these new stores were opened in Italy, France, the United Kingdom and Germany—markets where the growth strategy is more intense—and in Portugal and Greece, countries in which we already had an important presence. We have also increased the number of stores in more than twenty European countries. With the opening of stores in the Baltic States and Hungary, Inditex now operates in all EU member states.

Nevertheless, expansion has not been limited to Europe. Following Inditex's activities in Japan, Malaysia and Singapore in previous years, in 2004 the Group opened its first store in Hong Kong. Other stores are expected to open throughout 2005 and in coming years, both in this market and in other markets in the region. Our presence in the United States has also grown with new store openings on the West Coast, as well as a new store at a prominent location on New York's Fifth Avenue.

As I have mentioned on other occasions, the successful combination of intense expansion and renewed business efficiency has only been possible through the immense effort of our team at all levels of the organisation. In 2004 we not only reached the 2,000 sales outlet mark worldwide, but we also achieved record returns on investment. We have proven that it is possible to both grow and maintain profitability levels by making the most of the competitive advantages of our business model as the Group becomes larger and more complex.

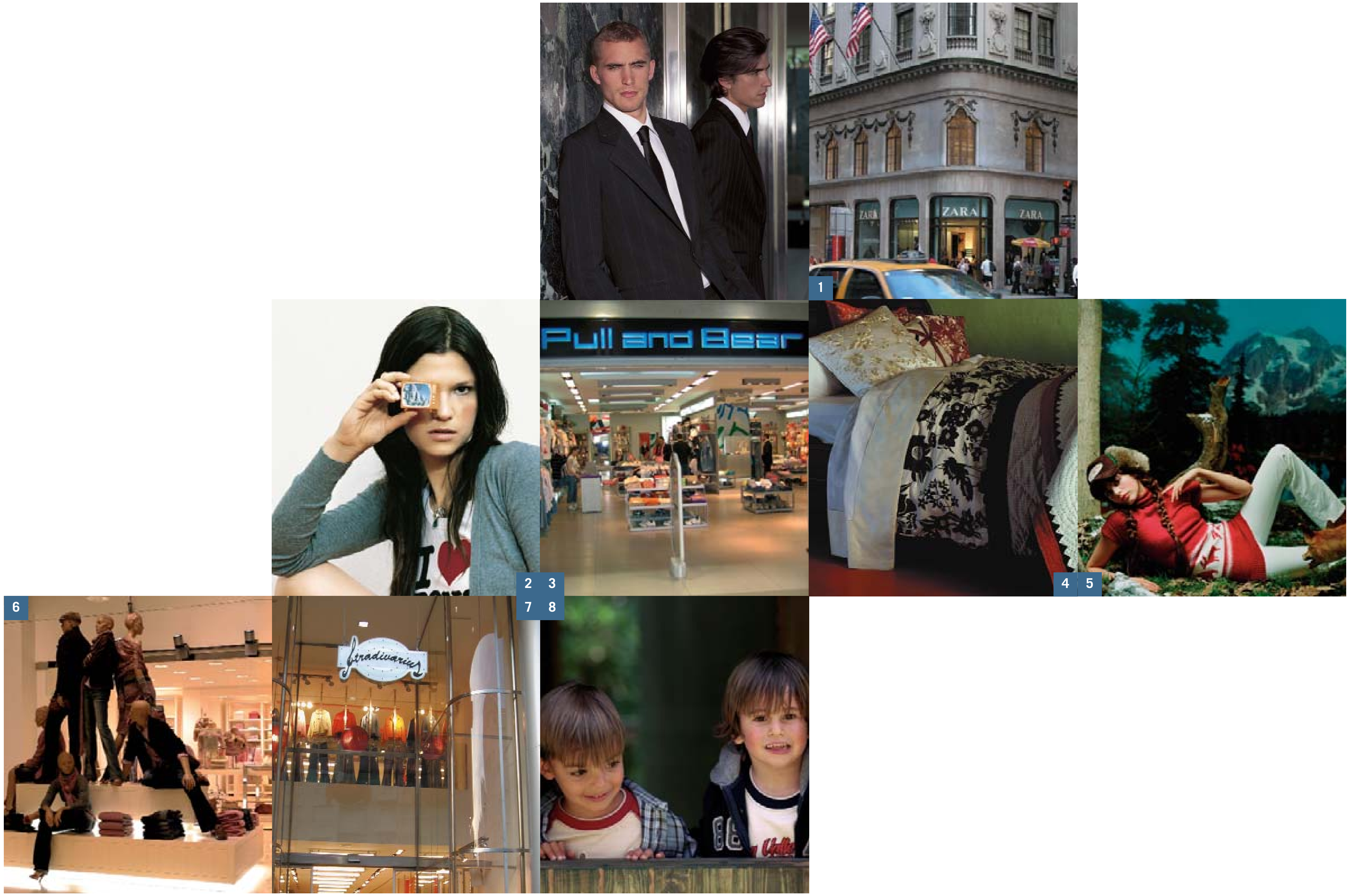
Meanwhile, we continue to set ambitious goals for the Group. Inditex's strategic plan foresees a total of 4,000 stores in the next five years, with operations in approximately 70 countries and turnover of more than Euros 10,000 million. The Group of the future will be essentially European, as sales in the rest of the continent are likely to exceed sales in Spain, but with an important presence in other areas of the world. The Group's more recent store formats will play an increasingly important role, although Zara will remain the largest and most international brand.

With these perspectives in mind, Inditex's board of directors initiated a strategic planning process to assess the organisation's needs for meeting these challenges successfully, with particular attention given to human resources, the company's main asset. Consequently, a new structure is being set up for the Group's senior management and greater resources are being earmarked for those areas considered to be strategic for sustained growth. In line with these objectives and with the Company's future projections, plans were made to elect a new CEO. These changes are taking place in an environment of continuity, in an organisation that is building up solid experience and, above all, a sound business culture. I am convinced that the results of these changes will be positive and will allow Inditex to meets its goals of being a true market leader.

Amancio Ortega Gaona
Chairman

02_0 A year's worth of images

Zara opens three stores in Japan, one in Shinjuku, the financial heart of Tokyo. Inditex has made significant advances in this market, increasing its shareholdings to 85% in the company Zara Japan Corporation, through which it operates in the country.



1 I In the U.S.A., Zara arrives in Houston, Los Angeles and Philadelphia. The most emblematic opening was in New York's Fifth Avenue, the heart of Manhattan's shopping district.

2 I Oysho continues to grow and improve its results. Sales have increased by 59% as compared to 2003.

3 I Pull and Bear opened the first Inditex store in Romania. The countries of Eastern Europe start to discover our commercial offer. With the opening of Zara in Hungary and Lithuania in 2004, Inditex is now present in all of the countries of the newly extended European Union, a market that brings together a total of 455 million inhabitants.

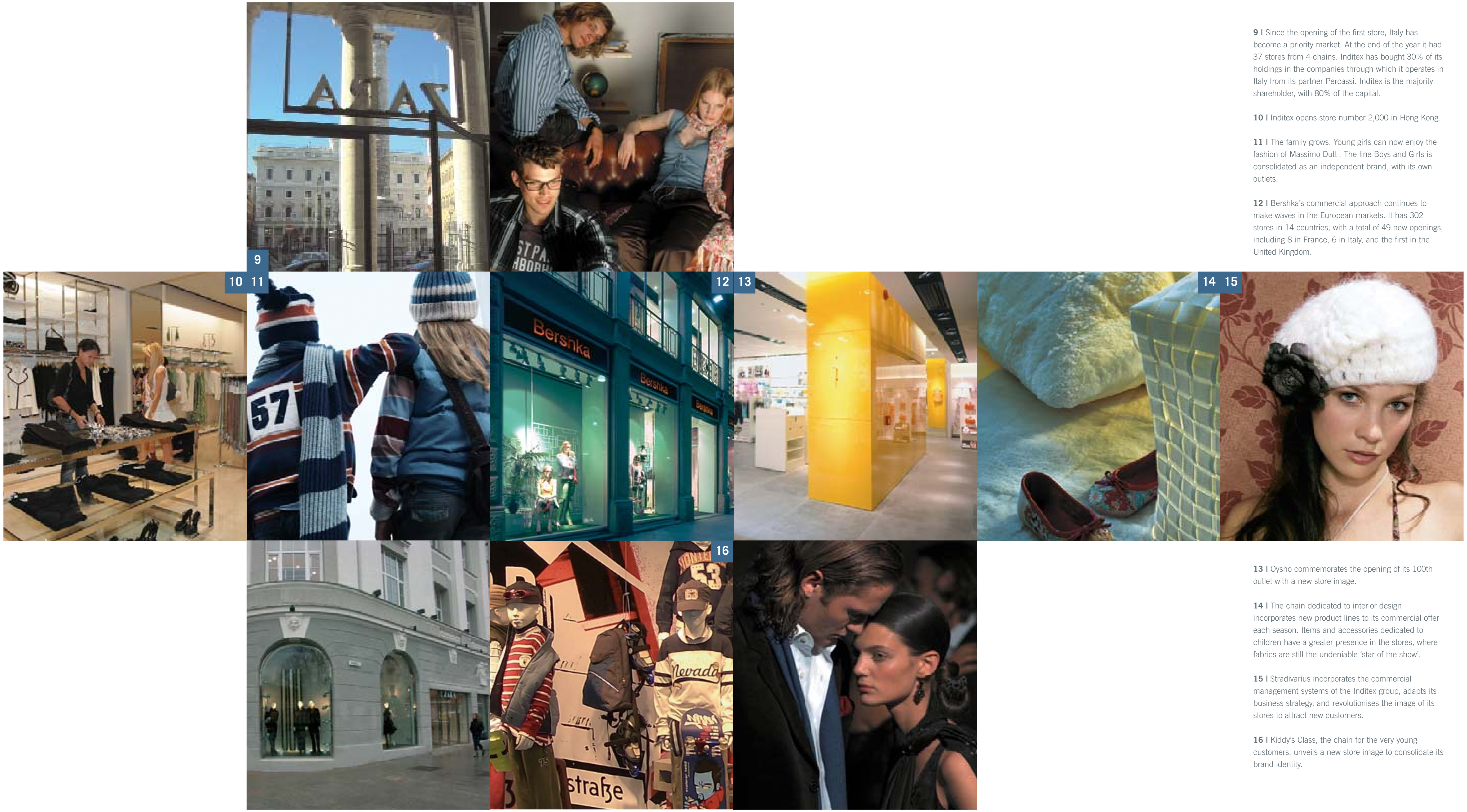
4 I In its second year of operations, Zara Home opens 36 stores and appears for the first time in two markets: Holland and Mexico.

5 I After Zara, Bershka is the chain that most contributes towards the Group's consolidated sales, with 9.1% of the total.

6 I Massimo Dutti opens one of its largest stores in the Place de la Madeleine in Paris, and opens its first outlets in Turkey and Italy. Inditex purchased 98% of de Massimo Dutti franchise in Mexico -17 stores in that country-.

7 I The first stores in Africa, Zara and Stradivarius open in Morocco in March and November, and are a resounding commercial success.

8 I Dressing them in style from the beginning. Children are "great little customers". Kiddy's Class extends the offer of items for newborn babies, and develops a line of accessories.



9 I Since the opening of the first store, Italy has become a priority market. At the end of the year it had 37 stores from 4 chains. Inditex has bought 30% of its holdings in the companies through which it operates in Italy from its partner Percassi. Inditex is the majority shareholder, with 80% of the capital.

10 I Inditex opens store number 2,000 in Hong Kong.

11 I The family grows. Young girls can now enjoy the fashion of Massimo Dutti. The line Boys and Girls is consolidated as an independent brand, with its own outlets.

12 I Bershka's commercial approach continues to make waves in the European markets. It has 302 stores in 14 countries, with a total of 49 new openings, including 8 in France, 6 in Italy, and the first in the United Kingdom.

13 I Oysho commemorates the opening of its 100th outlet with a new store image.

14 I The chain dedicated to interior design incorporates new product lines to its commercial offer each season. Items and accessories dedicated to children have a greater presence in the stores, where fabrics are still the undeniable 'star of the show'.

15 I Stradivarius incorporates the commercial management systems of the Inditex group, adapts its business strategy, and revolutionises the image of its stores to attract new customers.

16 I Kiddy's Class, the chain for the very young customers, unveils a new store image to consolidate its brand identity.

03_0 Relevant data



Higher profit margins during a trend of sustained business growth

Net sales and profit

Inditex's net profit in 2004 rose to Euros 628.1 million. This represents an increase of 41% compared to the previous financial year and places the net return on sales at 11.1%, 140 basic points higher than one year earlier. Consolidated turnover stood at Euros 5,670.4 million, 23% more than in 2003, as a result of a 9% increase in like-for-like sales and a 19% increase in the selling surface area in all of the Group's store formats. Had the exchange rates remained constant, the increase in sales would have been 25%.

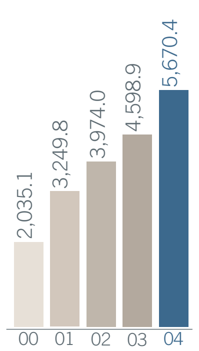
All of the Group's chains increased their sales satisfactorily, especially the Group's younger formats. Profitability levels, measured as return on capital employed, fluctuated between 38% and 61%. The only exception was the new arrival on the market, Zara Home (2%).

The Group's operating cash flow (EBITDA) rose to Euros 1,239.7 million, 42% more than in 2003, and operating profit increased by 48%, reaching Euros 925.2 million. The gross return on sales is 53.5%, an improvement of 337 basic points and an all-time-high for Inditex. The net margin reached 11.1% of sales, compared to 9.7% in 2003.

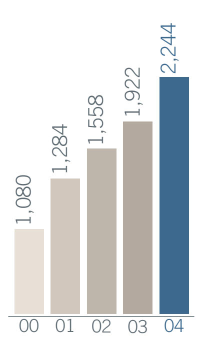
Profit on sales 2004

11.1%

Turnover 00/04
CAGR 00/04 21%
(millions of euros)



Number of stores 00/04



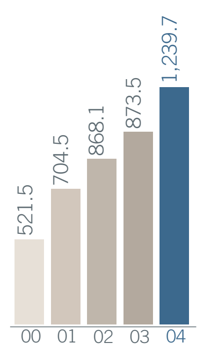
International expansion

The Group's constant international expansion has resulted in 54.5% of shop sales being made outside the home market. Sales in European markets represented 82.8% of the total, compared to 81.6% of the year 2003.

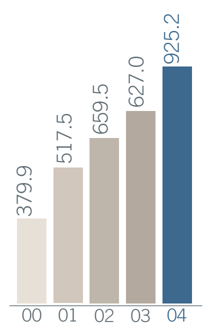
At the close of FY2004, Inditex's eight fashion distribution chains totalled 2,244 shops in Europe, America, the Asia-Pacific region, the Middle East and North Africa. Overall, 322 new stores were launched during the financial year. Zara, with 97 net openings, and Bershka -49 stores more than 2003- had the highest increase in sales outlets. Additionaly to the increase in the number of stores in the home market, mainly of the Group's younger formats, it is remarkable the strong growth in France and Italy. In these countries, 42 new stores were opened during the financial year, reaching 102 and 37 stores, respectively.

In Europe, the Group opened its first stores in Hungary, Romania, Estonia, Latvia and Lithuania. With these new launches, Inditex secured a presence in all the EU member states. In addition, the Group opened its first stores in Hong Kong, Morocco and Panama, achieving a presence in 56 countries.

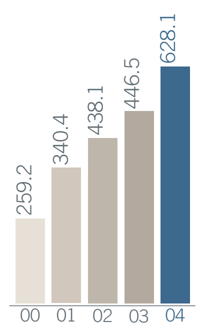
EBITDA 00/04
(millions of euros)



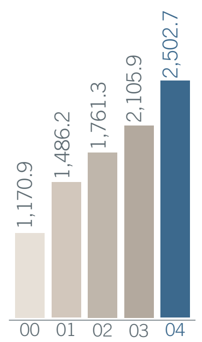
EBIT 00/04
(millions of euros)



Net profit 00/04
CAGR 00/04 25%
(millions of euros)

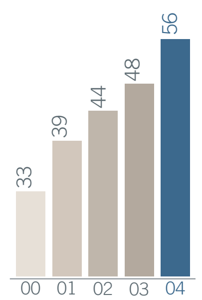


Equity 00/04
(millions of euros)



Number of stores at 31 January 2005		launches 2004
Zara	723	97
Kiddy's Class	129	26
Pull and Bear	371	21
Massimo Dutti	326	29
Bershka	302	49
Stradivarius	227	36
Oysho	104	28
Zara Home	62	36
Total	2,244	322

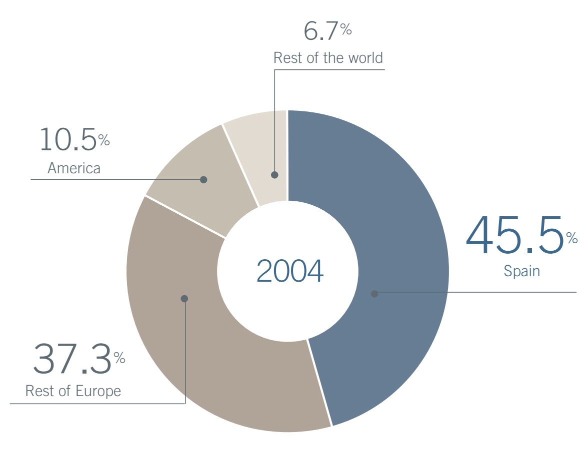
Number of countries 00/04



ROCE 2004

40%

Sales per geographic area 2004



ROE 2004

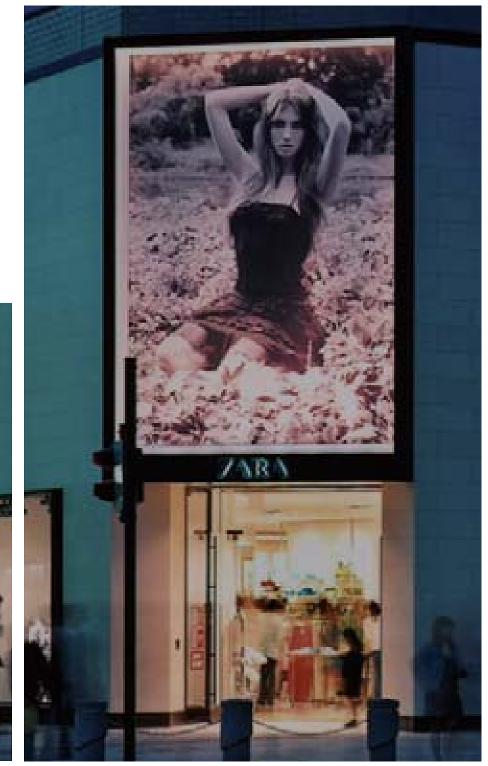
27%

Main indicators

Description	2004	2003	2002	2001	2000	CAGR 04/00
Results:						
Sales	**5,670.4**	4,598.9	3,974.0	3,249.8	2,614.7	**21%**
Interannual variation	*23%*	*16%*	*22%*	*24%*	*28%*	
EBITDA	**1,239.7**	873.5	868.1	704.5	521.5	**24%**
Interannual variation	*42%*	*1%*	*23%*	*35%*	*27%*	
EBIT	**925.2**	627.0	659.5	517.5	379.9	**25%**
Interannual variation	*48%*	*-5%*	*27%*	*36%*	*28%*	
Net profit	**628.1**	446.5	438.1	340.4	259.2	**25%**
Interannual variation	*41%*	*2%*	*29%*	*31%*	*27%*	
Balance:						
Equity	**2,502.7**	2,105.9	1,761.3	1,486.2	1,170.9	**21%**
Interannual variation	*19%*	*20%*	*19%*	*27%*	*31%*	
Total balance	**4,209.2**	3,510.4	3,013.8	2,588.6	2,107.6	**19%**
Interannual variation	*20%*	*16%*	*16%*	*23%*	*19%*	
Net financial position	**508.1**	268.3	245.6	57.5	(50.6)	
Stores:						
No. of stores at end of year	**2,244**	1,922	1,558	1,284	1,080	
Net openings	**322**	364	274	204	158	
No. of countries with stores opened	**56**	48	44	39	33	
Other information:						
% of international sales	**55%**	54%	54%	54%	52%	
Variation of LFL sales	**9%**	1%	11%	9%	9%	
ROE	**27%**	23%	27%	26%	25%	
ROCE	**40%**	32%	41%	39%	34%	
No. of employees	**47,046**	39,760	32,535	26,724	24,004	

segovia | gerona | san javier | puerto real
madrid | miranda de ebro | cerdanyola
coin | seville | sanlucar | santander
andujar | almendralejo | antequera
cadiz | plasencia | bragança | albufeira...

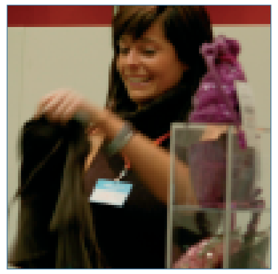
Kiddy's Class



Zara

kyoto | paris | munich | casablanca | kuala lumpur
london | singapore | madrid
konstanz | eindhoven | nagoya | prague | ryadh |
vicenza | hong kong | costa mesa | athens
moscow | komotini | düsseldorf | pisa | tallin
copenhaguen | riga | linz
houston | graz | tokyo | edmonton
milan | genova | new york | florence
newcastle | basel | turin | fahaheel
adana | philadelphia | dublin | warsaw | leipzig | zurich
malmö | budapest | avignon | cologne
cardiff | wuppertal | vilnius | oldenburg
oxford | noyelles-godault
bergamo | bucarest | glasgow
toronto | ancona | thionville | panama
rome | antwerp | thessaloniki | inverness | busnago...

04_0 Trends during the financial year



During FY2004, Inditex's stores around the world went over the two thousand mark, doubling the number of outlets that the Group held at the end of FY2000. As at 31 January 2005, Inditex had 2,244 stores in 56 countries, and started trading in eight new markets during the financial year: Hungary, Romania, Estonia, Latvia, Lithuania, Hong Kong, Morocco and Panama.

Net openings during 2004 were 322, of which 131 were outside the home market. The Group's strategy to expand mainly in European markets led to 91% of the new stores being opened in this area, resulting in 1,943 outlets and a presence in the 25 EU member states. In America, eleven stores were opened, up to a total of 183. In the Middle East and North Africa, twelve new stores were opened, totalling 99. Lastly, the Asia-Pacific region experienced six new launches, resulting in a total of 19 Zara stores in the region.

During FY2004, Inditex became the majority shareholder in its subsidiaries in Italy and Japan, increasing its stake to 80% and 85% respectively. As at 31 January 2005, the Group owned 37 stores in Italy and 12 in Japan. In addition, Inditex purchased 98% of the Massimo Dutti Mexico franchise. As at 31 January 2005, this chain owned 17 shops in Mexico.

04_1 Chains

Zara

As at 31 January 2005, Zara operated 723 stores in 54 countries, 98 more than the previous year. During 2004, stores were opened in eight new countries: Hungary, Romania, Estonia, Latvia, Lithuania, Hong Kong, Morocco and Panama. Before this, Inditex was not present in any of these markets. Additionaly, Zara increased the number of stores in 27 countries. Outside the home market, the countries that have experienced the more store launches are Italy, with eleven new stores; the United Kingdom with eight; seven in France and Germany; five in Greece and three in the United States, Switzerland and Japan. The selling area at the end of the financial year represented 811,100 m², 18% more than the previous year.

Zara has targeted its expansion at those European markets that are considered to be key for its growth strategy. Therefore, in 2004 it increased its presence in those markets, reaching 83 stores in France, 33 in Germany, 33 in the United Kingdom and 23 in Italy. By the same token, Zara has taken advantage of strategic opportunities in other geographic areas, with important openings such as those in New York's Fifth Avenue, in the International Finance Centre, Hong Kong, and the Shinjuku business district in Tokyo.

The chain's turnover amounted to Euros 3,819.6 million, representing 67.4% of the Group's total.

Kiddy's Class

Kiddy's Class opened 26 stores during FY2004 in Spain and Portugal, the two countries where the childrenswear chain is currently present. In Spain, it closed the financial year with 24 net openings, increasing the number of stores to 114, and in Portugal it closed FY2004 with 15 stores, including two new stores. Kiddy's Class' selling area grew to 25,265 m², compared to 20,614 m² the previous year.

Kiddy's Class' turnover was Euros 120.6 million in FY2004, representing 2.1% of the Group's total.

Pull and Bear

As a result of the 21 net openings Pull and Bear reached a total of 371 stores in 19 countries in Europe, America and the Middle East, as at 31 January 2005. Inditex's youth fashion chain opened stores in Spain, Portugal, Malta, Mexico and Kuwait, as well as in two new markets: Russia and Romania. The selling area is 73,774 m² and represents an increase of 10% compared to 2003.

In 2004, Pull and Bear's turnover reached Euros 378.9 million, representing 6.7% of the Group's total.

Massimo Dutti

Massimo Dutti opened 29 stores during the financial year, and is present in 25 countries with 326 stores. The chain increased its number of stores in Spain, France, Italy, Sweden, Turkey and Saudia Arabia. Both Italy and Turkey are new markets for Massimo Dutti. Outside the home market, France experienced the highest increase in outlets, with five openings. The chain's selling area has increased by 20%, up to 74,517 m².

Massimo Dutti increased the number of owned stores significantly during FY2004, while the number of franchises remained steady. As a consequence, the weight of sales in owned stores has increased and close to the Group's overall average. Along these lines, Inditex took over Massimo Dutti Mexico, a franchise with 17 stores in that country.

During 2004, Massimo Dutti expanded its childrenswear collection, launched during the previous financial year, with clothes designed for girls. The collections are marketed as Dutti Boys & Girls, and are present in around thirty of the chain's stores. During FY2004, the Personal Tailoring collection was also launched in some of the chain's stores, allowing the customer to adapt specific suits and trousers to their favourite fabrics and colours.

Massimo Dutti's turnover increased to Euros 481.3 million, representing 8.5% of the Group's total.

Bershka

During 2004 Bershka opened 49 stores in ten countries, including its first store in the United Kingdom. As at 31 January 2005, it totalled 302 outlets in 14 countries. It should be noted the chain's launches in France –eight new stores- and Italy –six new stores. The selling area rose to 104,916 m^2 22% more than the 85,835 m^2 in 2003.

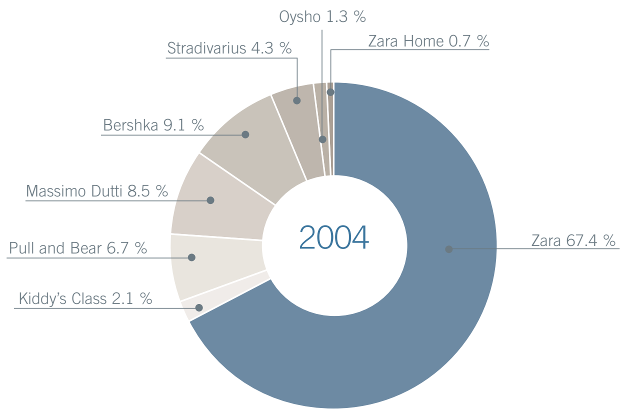
Bershka 's turnover amounted to Euros 516 million. After Zara, it is the chain whith higher contribution to the Group's sales, representing 9.1% of the total.

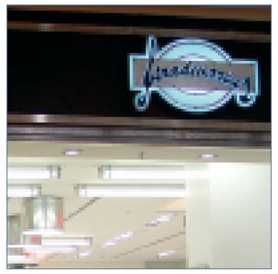
Stradivarius

Stradivarius opened 36 outlets during FY2004, increasing its selling area by 15% to reach 57,301 m^2. As at 31 January 2005, it owned 227 stores in ten countries in Europe, the Middle East and Africa. In the latter, it launched its first store in Casablanca, Morocco.

Stradivarius' turnover –representing 4.3% of Inditex's total- increased to Euros 241.9 million.

Sales by chain 2004





Oysho

Oysho opened 28 stores during the financial year. At the end of January 2005, the chain was present in eight countries with 104 stores. Outside the home market, another four countries increase their outlets during 2004: Italy, Greece, Mexico and Portugal. The selling area is 13,938 m^2.

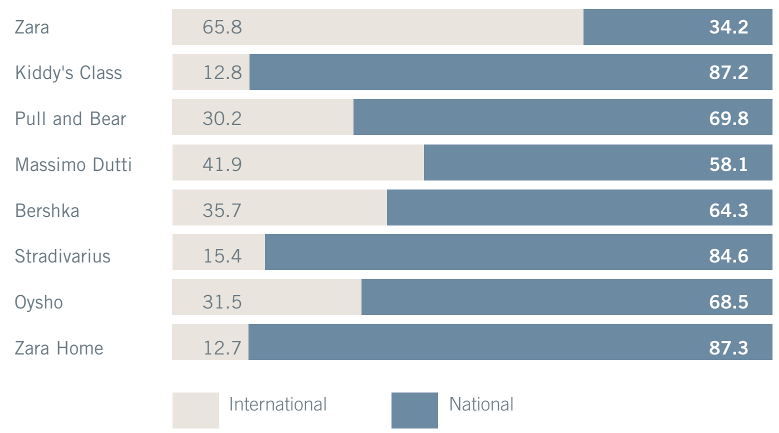
Turnover amounted to Euros 71.7 million, representing 1.3% of the Group's total.

Zara Home

After the first stores were launched in Holland and Mexico in 2004, 62 Zara Home stores were present in six markets. At the end of 2004, the chain's outlets grew by 36, increasing its selling area to 14,259 m^2.

During its first financial year, Zara Home's sales reached Euros 40.4 million, representing 0.7% of the total.

Percentage of sales in international / national stores per chain

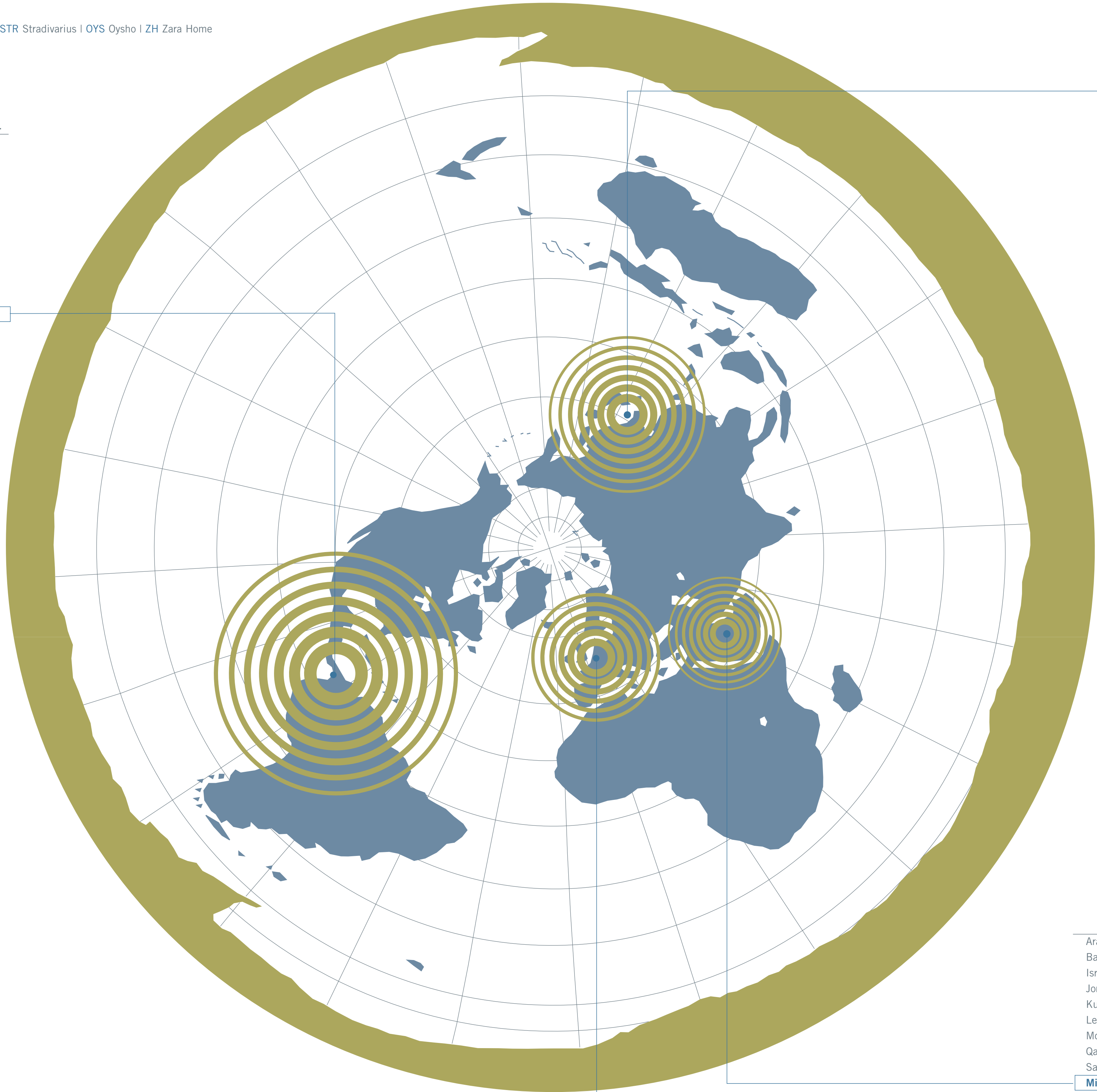


04_2 International presence

Z Zara I KC Kiddy's Class I PB Pull and Bear I MD Massimo Dutti I BSK Bershka I STR Stradivarius I OYS Oysho I ZH Zara Home

	Z	TOTAL
Hong Kong	1	**1**
Japan	12	**12**
Malaysia	3	**3**
Singapore	3	**3**
Asia-Pacific Region	**19**	**19**

	Z	PB	MD	BSK	OYS	ZH	TOTAL
Argentina	5						**5**
Brazil	13						**13**
Canada	12						**12**
Chile	5						**5**
Dominican Republic	1						**1**
El Salvador	1						**1**
Mexico	34	13	17	26	12	1	**103**
Panama	1						**1**
Uruguay	2						**2**
Venezuela	8	6	2	8	1		**25**
United States	15						**15**
America	**97**	**19**	**19**	**34**	**13**	**1**	**183**



	Z	KC	PB	MD	BSK	STR	OYS	ZH	TOTAL
Andorra	1		1	1					**3**
Austria	6								**6**
Belgium	17			16	6				**39**
Cyprus	3		2	1	2	2			**10**
Czech Republic	2								**2**
Denmark	4								**4**
Estonia	1								**1**
Finland	3								**3**
France	83			7	11	1			**102**
Germany	33			3					**36**
Greece	30		8	5	11		2	1	**57**
Holland	5			1	3			1	**10**
Hungary	2								**2**
Ireland	2		6						**8**
Iceland	1								**1**
Italy	23			2	7		5		**37**
Latvia	1								**1**
Lithuania	1								**1**
Luxembourg	2			1					**3**
Malta	1		4						**5**
Norway				1					**1**
Poland	7								**7**
Portugal	40	15	49	39	27	21	11	4	**206**
Romania	1		1						**2**
Rusia	3		1						**4**
Slovakia			1						**1**
Slovenia	2								**2**
Spain	241	114	257	202	194	188	71	54	**1,321**
Sweden	2			3					**5**
Switzerland	6			3	1				**10**
Turkey	11			1					**12**
UK	33			6	1			1	**41**
Europe	**567**	**129**	**330**	**292**	**263**	**212**	**89**	**61**	**1,943**

	Z	PB	MD	BSK	STR	OYS	TOTAL
Arab Emirates	4	3	4	3	2		**16**
Bahrain	1	1	1				**3**
Israel	13	12					**25**
Jordan	1	1	1		2		**5**
Kuwait	4	3	1		2	1	**11**
Lebanon	2	1	2	2			**7**
Morocco	1				1		**2**
Qatar	1	1	1		1		**4**
Saudia Arabia	13		5		7	1	**26**
Middle East and Africa	**40**	**22**	**15**	**5**	**15**	**2**	**99**

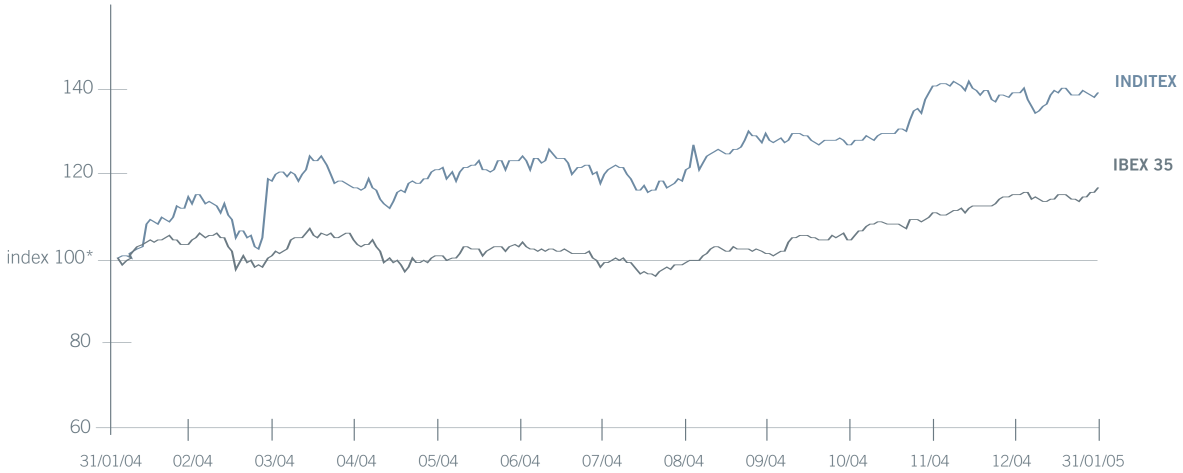
04_3 Stock Market trends

Inditex's shares revaluated by 38.7% during FY2004. During the same period, the Ibex-35 revaluated by 16.3%. The maximum closing price was reached on 2 December 2004, with a value per share of 22.12 euros. The minimum price was 15.39 euros on 2 February 2004. The average negotiated volume of shares was over the two million mark.

Inditex's market capitalisation stood at Euros 13,539 million at year-end, 47.75% more than its initial market value –23 May 2001-, opposed to a 4.18% drop in the Ibex-35.

During FY2004, Inditex was selected to join the FTSE ISS Corporate Governance Index. This new index, the result of the collaboration between FTSE Group and International Shareholder Services (ISS), a corporate governance services company, incorporates listed companies that adhere to best corporate governance practice.

Annual trends INDITEX vs. IBEX 35



* Value at 31 January 2004

Trends of share price 2004
(in euros)

15.66
31 January 2004

21.72
31 January 2005

38.7%
Variation 04/03

14.70
23 May 2001

21.72
31 January 2005

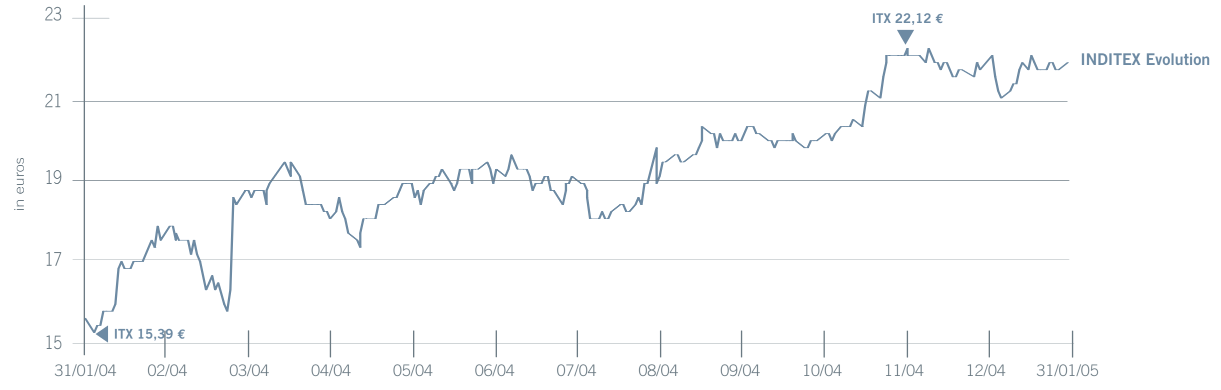
47.7%
Variation since initial value

BPA 2004
(in euro cent)

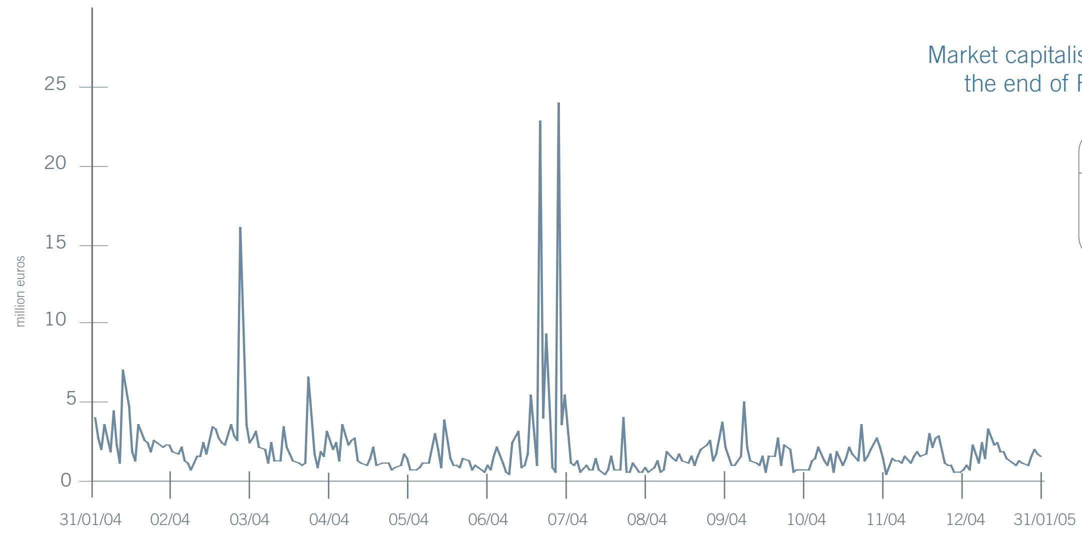
101
2004

41%
Variation 04/03

INDITEX share price in euros



Negociated volume



Market capitalisation at
the end of FY 2004

13,539
millions of euros

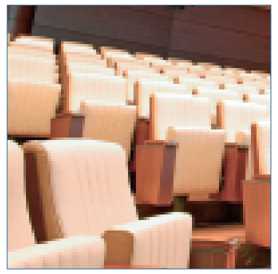
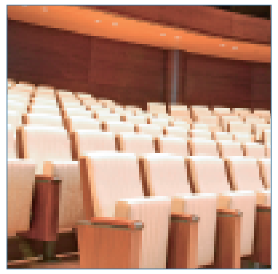
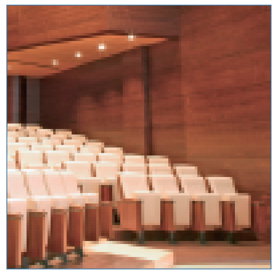
Massimo Dutti

paris I madrid I
funchal I st.niklaas
antwerp I florence
istambul I las palmas I boulogne
riyadh I khobar
stockholm...

valencia I zapopan I cadiz
seville I madrid I malaga I moscow I ceuta
fahaheel I leon I pamplona I bucarest
huelva I bilbao
bragança...

Pull and Bear

05_0 Board of Directors

Members as at 31th January 2005

	Executive Committee	Audit and Control Committee	Nomination and Remuneration Committee	Nature
Chairman				
Amancio Ortega Gaona	Chairman			Domanial Executive
Deputy Chairman				
José María Castellano Ríos	Member			Executive
Secretary				
Antonio Abril Abadín	Member			Executive
Directors				
Carlos Espinosa de los Monteros Bernaldo de Quirós	Member	Member	Chairman	Independent
Gartler S.L.(represented by Flora Pérez Marcote)				Domanial
Fred H. Langhammer			Member	Independent
Francisco Luzón López	Member	Chairman	Member	Independent
Irene Ruth Miller		Member	Member	Independent
Juan Carlos Rodríguez Cebrián	Member			Executive
Juan Manuel Urgoiti López de Ocaña	Member	Member	Member	Independent

Committee Member
Chairman of the Committee

Changes during FY 2004

On 10 June 2004, the Board of Directors agreed to accept the resignation submitted by Rosp Corunna, S.L., represented by Rosalía Mera Goyenechea, as member of Inditex's Board of Directors. Note was taken in the meeting minutes of the gratitude for the services rendered to the Company and the dedication shown in the fulfilment of her role as Member of the Board of Directors.

Also, in accordance with the Articles of Association and Regulations governing the Board of Directors, and after submission of a report from the Nomination and Remuneration Committee, the Board agreed to increase the number of members of the Audit and Control Committee and of the Nomination and Remuneration Committee to four and five members respectively, appointing 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.

On 13 December 2004, the Board of Directors appointed Gartler, S.L. as Board member. This company, a major shareholder in Inditex with 59.29% of the share capital, will be repre-sented by Flora Pérez Marcote. Furthermore, Francisco Luzón took over from Juan Manuel Urgoiti López de Ocaña as Chairman of the Audit and Control Committee, having come to the end of the maximum term of four years as envisaged by law and by the Articles of Association and Regulations governing Inditex's Board of Directors.

Members as at 9th June 2005

	Executive Committee	Audit and Control Committee	Nomination and Remuneration Committee	Nature
Chairman				
Amancio Ortega Gaona	Chairman			Domanial Executive
Deputy Chairman				
José María Castellano Ríos	Member			Executive
Chief Executive Officer				
Pablo Isla Álvarez de Tejera	Member			Executive
Secretary				
Antonio Abril Abadín	Member			Executive
Directors				
Carlos Espinosa de los Monteros Bernaldo de Quirós	Member	Member	Chairman	Independent
Gartler S.L. (represented by Flora Pérez Marcote)				Domanial
Francisco Luzón López	Member	Chairman	Member	Independent
Irene Ruth Miller		Member	Member	Independent
José Luis Vázquez Mariño	Member	Member	Member	Independent
Juan Manuel Urgoiti López de Ocaña	Member	Member	Member	Independent

Committee Member ☐
Chairman of the Committee ■

Changes subsequent to the year end

On 13 February 2005, the Board of Directors agreed to accept the resignation submitted by Juan Carlos Rodríguez Cebrián as member of the Board of Directors, as well as his decision to leave his executive duties as General Manager of Inditex. The Company's Board of Directors expressed its gratitude for his important contribution to Inditex over the years.

On 30 March 2005, the Board accepted the joining of José Luis Vázquez Mariño as Board member, as an independent member. José Luis Vázquez Mariño is a chartered accountant and a bachelor in Economic and Business Administration. He has built up his professional career at Arthur Andersen, where he was Director of Finance and Human Resources world-wide and Managing Partner for South America. Currently, he is a member of the Board of Directors of Banco Pastor and La Voz de Galicia, S.A.

On 9th June 2005, Mr. Fred H. Langhammer, ordinary Member of the Board of Directors and of the Nomination and Remuneration Committee, tendered his resignation. On the same day, the Board of Directors passed the following resolutions:

- To appoint by co-option the shareholder, Mr. Pablo Isla Álvarez de Tejera as member of the Board of Directors and Chief Executive Officer of the company as well as member of the Executive Committee, all after the favourable report of the Nomination and Remuneration Committee. Mr. Isla (Madrid 1964) is a graduate in Law from the Universidad Complutense of Madrid and Abogado del Estado. From 1992 to 1996 he was Head of Legal Services at the Banco Popular Español. Later, he was appointed General Director of State Assets at the Ministry of Economy and Finance. In 1998 he returned to the Banco Popular as General Counsel. He has been the Chairman of the Board of Directors of Altadis and has co-chaired this Group since July 2000.

- To appoint the independent Director, Mr. José Luis Vázquez Mariño as Ordinary Member of the Executive Committee, of the Audit and Control Committee and of the Nomination and Remuneration Committee, all of which after the favourable report from the Nomination and Remuneration Committee.

As a result of said appointments, the balance so far existing within the Board of Directors among the different types of directors changed and at present it is comprised of one executive domanial director, three executive directors, an external domanial director and five external independent directors.

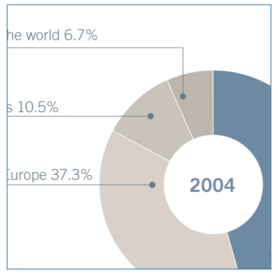
Bershka

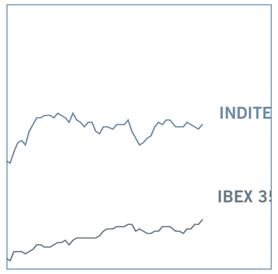
fuengirola | elche | barcelona | madrid | ceuta
mexico d.f. | saint etienne | sant boi | terrassa
verona | lleida | seville | athens
komotini | grenoble | the hague | paris | toledo | toulouse | leon
naples | avignon | lyon
bergamo | newcastle | nice | palencia | rome
ghent | gandia | bruges | novate milanese...

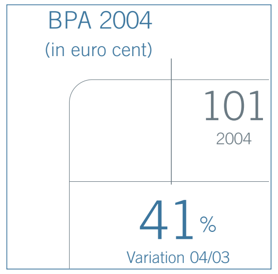
Oysho

fuengirola | vigo | bologna | barcelona | cordoba
san fernando | madrid | logroño | guadalajara | ponferrada | jaen
ioannina | toledo | pamplona |
busnago | huelva | bilbao | benidorm | rome...

06_0 Auditor's report and annual accounts







06_0
Auditor's report and annual accounts

KPMG Auditores S.L.
Parma, 1
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 2005, the related consolidated statement of profit and loss for the year then ended and the notes thereto (year 2004), 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 2004 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 2004. On 24 March 2004, we issued our unqualified audit report on the consolidated annual accounts for the year 2003.

In our opinion, the consolidated annual accounts for the year 2004 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 2005 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 2004 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 2004. 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

31 March 2005

06_2 Industria de Diseño Textil S.A. and subsidiaries

Consolidated Balance Sheets as of 31 January, 2005 and 2004

(Thousands of euros)

	Assets	31-01-05	31-01-04 (*)
B)	**Fixed assets**		
I.	**Start-up expenses (note 5)**	**567**	**528**
II.	**Intangible assets (note 6)**	**443,307**	**412,944**
	Intangible assets and rights	606,326	547,237
	Accumulated amortization	(161,356)	(133,889)
	Provisions	(1,663)	(404)
III.	**Tangible fixed assets (note 7)**	**1,903,073**	**1,599,266**
	Land and buildings	677,423	557,362
	Technical installations and machinery	1,840,585	1,526,191
	Other tangible fixed assets	303,572	240,728
	Advances and construction in progress	82,697	54,045
	Accumulated depreciation	(945,505)	(748,900)
	Provisions	(55,699)	(30,160)
IV.	**Long-Term financial investments (note 8)**	**160,132**	**105,424**
	Holdings in companies carried by the equity method	42,793	23,188
	Long-term investment securities	5,616	5,991
	Other loans	113,359	76,263
	Provisions	(1,636)	(18)
V.	**Shares of the Controlling Company (note 15)**	**89**	**89**
	Total fixed assets	2,507,168	2,118,251
C)	**Goodwill on consolidation (note 9)**	**98,498**	**53,253**
D)	**Deferred charges (note 10)**	**21,463**	**17,902**
E)	**Current assets**		
II.	**Inventories (note 11)**	**514,041**	**486,440**
III.	**Accounts receivable (note 12)**	**282,479**	**328,856**
	Customer receivables for sales and services	134,804	129,501
	Other accounts receivable	150,218	201,451
	Provisions	(2,543)	(2,096)
IV.	**Short-term financial investments (note 13)**	**477,704**	**180,342**
	Short-term investment securities	150,439	44,302
	Other loans	327,265	136,040
VI.	**Cash**	**295,556**	**316,023**
VII.	**Accrual accounts**	**12,262**	**9,285**
	Total current assets	1,582,042	1,320,946
	Total Assets	4,209,171	3,510,352

(*) 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 discrepancy, the Spanish language version prevails

	Shareholders' Equity and Liabilities	31-01-05	31-01-04 (*)
A)	**Shareholders' 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**	**859,977**	**871,527**
	Unrestricted reserves	841,032	852,582
	Restricted reserves	18,945	18,945
V.	**Reserves at fully or proportionally consolidated companies**	**1,042,031**	**799,755**
VI.	**Reserves at companies carried by the equity method**	**(486)**	**(540)**
VII.	**Translation differences from fully consolidated companies (note 2,d)**	**(142,531)**	**(126,817)**
VIII.	**Income attributable to the Controlling Company**	**628,130**	**446,451**
	Consolidated for the year (profit)	638,231	448,631
	Attributed to minority interests (profit and losses)	(10,101)	(2,180)
	Total shareholders' equity	2,502,692	2,105,947
B)	**Minority interests (note 16)**	**35,582**	**27,217**
D)	**Deferred revenues (note 17)**	**76,483**	**29,663**
E)	**Provisions for contingencies and expenses (note 18)**	**31,932**	**23,079**
F)	**Long term debt**		
II.	**Payable to credit entities (note 19)**	**107,346**	**156,568**
III.	**Other accounts payable (note 20)**	**86,282**	**75,167**
	Total long-term debt	193,628	231,735
G)	**Current liabilities**		
II.	**Payable to credit entities (note 19)**	**160,744**	**81,492**
III.	**Payable to companies carried by the equity method (note 14)**	**190**	**2,026**
IV.	**Trade accounts payable**	**784,183**	**652,422**
V.	**Other non-trade payables (note 20)**	**423,737**	**356,771**
	Total current liabilities	1,368,854	1,092,711
	Total shareholders' equity and liabilities	4,209,171	3,510,352

(*) Presented for comparison purposes only.

06_3 Industria de Diseño Textil S.A. and subsidiaries

Consolidated Statements of Income for the years ended 31 January, 2005 and 2004
(Thousands of euros)

	Debit	31-01-05	31-01-04 (*)
A)	**Expenses**		
	Purchases	2,672,008	2,395,973
	Personnel expenses	821,440	678,179
	a) Wages, salaries, etc,	649,145	532,001
	b) Employee welfare expenses (note 22)	172,295	146,178
	Period depreciation and amortization	276,374	221,170
	Variation in provisions	25,172	15,891
	Other operating expenses	976,853	756,926
	I. Operating income	**938,168**	**636,392**
	Financial and similar expenses	17,804	15,232
	Losses on short-term financial investments	1,714	0
	Variation in financial investment provisions	(12)	(84)
	Exchange losses	76,176	56,355
	II. Financial income	**0**	**0**
	Share in losses of companies carried by the equity method	358	0
	Amortization of goodwill in consolidation (note 9)	12,948	9,359
	III. Income from ordinary activities	**902,677**	**619,130**
	Variation in intangible and tangible fixed assets provisions (notes 6 and 7)	15,555	(251)
	Losses on fixed assets (note 22)	6,970	19,720
	Extraordinary expenses (note 22)	925	15,066
	Prior year's expenses and losses	2,395	4,378
	V. Consolidated income before taxes	**886,186**	**613,438**
	Corporate income tax (note 21)	241,126	157,188
	Other taxes (note 21)	6,829	7,619
	VI. Consolidated income for the year	**638,231**	**448,631**
	Income attributed to minority interests (note 16)	10,101	2,180
	VII. Income for the year attributed to the controlling company	**628,130**	**446,451**

(*) 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 discrepancy, the Spanish language version prevails

	Credit	31-01-05	31-01-04 (*)
B)	**Revenues**		
	Net revenues (note 22)	5,670,411	4,598,908
	Increase in finished product and work-in-process inventories	35,843	103,020
	Other operating revenues	3,761	2,603
	I. Operating loss	**0**	**0**
	Revenues from shareholdings	131	48
	Other financial revenues	9,912	11,196
	Gains of short-term financial investments	4,376	542
	Exchange gains	59,078	51,739
	II. Financial loss	**22,185**	**7,978**
	Share in the income of companies carried by the equity method (note 8)	0	75
	III. Loss on ordinary activities	**0**	**0**
	Gains on fixed asset disposals	4,250	5,392
	Gains from disposals of holdings in companies fully or proportionally consolidated	522	0
	Gains from disposals of holdings in companies carried by the equity method	0	371
	Deferred revenues transferred to income for the year (note 17)	2	1,263
	Extraordinary revenues and income	200	22,157
	Prior year's revenues and income	4,380	4,038
	IV. Extraordinary loss	**16,491**	**5,692**

(*) Presented for comparison purposes only.

06_4 Industria de Diseño Textil S.A. and subsidiaries
Notes to the consolidated annual accounts for 2004

_01 Group description

Industria de Diseño Textil, S.A. (hereinafter Inditex) and its subsidiaries form a group comprising, mainly, 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: 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 2005 are as follows:

Retail format	Group operated	Number of stores Franchises	Total
Zara	649	74	**723**
Kiddy's Class	129	0	**129**
Pull & Bear	333	38	**371**
Massimo Dutti	228	98	**326**
Bershka	295	7	**302**
Stradivarius	183	44	**227**
Oysho	102	2	**104**
Zara Home	62	0	**62**
Total	**1,981**	**263**	**2,244**

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 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.

Annex 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 2005 the Group retail formats have stores in 56 countries. Details are as follows:

Country	Group operated	Number of stores Franchises	Total
Spain	1,287	34	**1,321**
Rest of Europe	518	104	**622**
America	163	20	**183**
Rest of world	13	105	**118**
Total	**1,981**	**263**	**2,244**

_02 Basis of presentation of the annual accounts and consolidation principles

a) Identification

The year ended 31 January 2004 will henceforth be referred to as '2003', the year ended 31 January 2005 will be referred to as '2004', and so on.

b) True and fair view

The consolidated annual accounts at 31 January 2005 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 2004 were approved by the shareholders' meeting within the legally stipulated period. The consolidated annual accounts for the year ended 31 January 2005 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 2005 will be approved without any changes.

The individual annual accounts of Inditex at 31 January 2005 have been prepared by the directors in a separate document.

c) Accounting policies

The consolidated annual accounts at 31 January 2005 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 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 that 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 method 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 companies consolidated by the global integration method" 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 2004 amount to Euros 4,110 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 2,502 thousand and Euros 224 thousand effects of inflation for the year on monetary assets and liabilities is included under "Exchange losses" and "Exchange gains", respectively 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 2004 (Annex 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.

e) Comparison of information

"Extraordinary revenues and income" in the statement of income for 2003 include Euros 1,246 thousand in respect of the capital contributions received from shopping centre promoters or proprietors of commercial premises used by the Group taken to income (recorded under "Deferred revenues" in the consolidated balance sheet). In 2004 Euros 4,992 thousand were recorded as a reduction of "Other operating expenses".

f) Changes in the consolidated Group

The following companies have been incorporated and integrated into the consolidated Group in 2004:

Zara Magyarorszag, Kft.
Zara Home Mexico, S.A. de C.V.
Bershka UK, Ltd.
Bershka Irleland, Ltd.
Massimo Dutti Irleland, Ltd.
Pull & Bear Italy, S.R.L.
Pull & Bear France, S.A.R.L.
Often Portugal, Confecçoes Lda.
Pase Packaging, S.A. de C.V.
Liprasa Cartera, S.L.
BCN Diseños, S.A. de C.V.

In December 2004 Pase Packaging, S.A. de C.V. was incorporated by the Group in order to acquire 98% of the Massimo Dutti chain in Mexico, which until then operated as a franchise through Liprasa Cartera, S.L. and BCN Diseños, S.A. de C.V. (note 24). The remaining companies were incorporated by the Group.

At 31 January 2004 the Group held a 50% interest in Zara Japan Corporation, which was consolidated on a basis proportional to the Group's control of share capital. In 2005 the Group acquired an additional 35% shareholding in this company, which has consequently been fully consolidated at 31 January 2005 (notes 16 and 24).

The companies called Yeroli, S.A. and Oysho Nederland, B.V. at 31 January 2004 have changed their names to Often Textil, S.A. and Zara Home Nederland, B.V., respectively. Vastgoed Hellas, S.A. has been taken over by Zara Hellas, S.A.

These modifications have not had a significant impact on the consolidated annual accounts for 2004 other than the incorporation of goodwill (note 9).

_03 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 2005 be distributed as follows:

	Thousands of euros
Dividends	299,199
Voluntary reserves	44,471
Net income of the controlling company	343,670

_04 Significant accounting principles

The accompanying consolidated annual accounts of the Group at 31 January 2005 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 amortised over the term of lease contracts.

In the event of impairment of assets not resulting from depreciation, usage or the passing of time, the appropriate provision is made and recorded as "Variation in intangible and tangible fixed assets provisions" under extraordinary loss in the consolidated income statement.

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:

Description	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".

In the event of impairment of assets not resulting from depreciation, usage or the passing of time, the appropriate provision is made and recorded as "Variation in intangible and tangible fixed assets provisions" under extraordinary loss in the consolidated income statement.

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 possible 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 2005.

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) Deferred revenues

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

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 the Inditex

Group, 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

In accordance with prevailing Spanish legislation, under certain circumstances, Group companies are liable to pay indemnities to employees whose services are discontinued. Indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

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. This report provides details of the Group's environmental policy and initiatives and is not a part of the annual accounts.

s) Insurance

The Group uses a corporate management risks policy to identify, evaluate and control the risks of damage and liabilities to which its companies are subject. In this respect, it performs an inventory and valuation of the Group's principal risks of damages, loss of profits and liabilities and, based on the results of this procedure, applies prevention and protection policies aimed at reducing, insofar as possible, their frequency and intensity.

At corporate level, standard valuation criteria are established to quantify the exposure to which the Group is subject and to define the valuation policies to be followed for insurance purposes.

The Group establishes corporate insurance programmes to implement insurance policies aimed at protecting its assets against existing risks. It establishes limits, franchises and conditions appropriate to the nature and financial dimension of the company. This structure mainly hinges on three global insurance programmes, in which the Group's principal insurance coverage is established: the Material Damage and Loss of Profits programme, the General Liability programme and the Transport programme.

_05 Start-up expenses

The variations in 2004 in the accounts comprising this caption of the consolidated balance sheet were as follows

Item	Balance at 01/02/2004	Additions	Amortisation	Balance at 31/01/2005
Incorporation expenses	40	124	(16)	**148**
Pre-opening expenses	277	92	(122)	**247**
Capital increase expenses	211	50	(89)	**172**
Total	**528**	**266**	**(227)**	**567**

_06 Intangible assets

The variations in 2004 in the accounts comprising this caption of the consolidated balance sheet were as follows:

Cost	Balance at 01/02/2004	Additions	Reductions	Transfers	Other	Balance at 31/01/2005
Intellectual property	16,007	1,159	(1)	0	8	17,173
Goodwill	1,879	0	0	0	0	1,879
Leasehold assignment rights	421,682	74,327	(1,253)	2,347	(1,412)	495,691
Computer software	4,866	922	(171)	0	19	5,636
Rights over leased assets	98,342	5,054	0	(18,638)	0	84,758
Advances and other intangible assets	4,461	529	(6)	(3,795)	0	1,189
Provisions	(404)	(1,461)	202	0	0	(1,663)
Total	**546,833**	**80,530**	**(1,229)**	**(20,086)**	**(1,385)**	**604,663**

Accumulated amortisation	Balance at 01/02/2004	Additions	Reductions	Transfers	Other	Balance at 31/01/2005
Intellectual property	9,779	1,178	0	0	0	10,957
Goodwill	1,128	378	0	0	0	1,506
Leasehold assignment rights	102,009	31,842	(918)	(1,440)	(677)	130,816
Computer software	2,905	866	(135)	11	5	3,652
Rights over leased assets	17,593	1,564	0	(5,207)	0	13,950
Advances and other intangible assets	475	0	0	0	0	475
Total	**133,889**	**35,828**	**(1,053)**	**(6,636)**	**(672)**	**161,356**

Additions in cost mainly reflect investments during the year.

Additions to "Provisions" reflect the allowance for impairment of certain leasehold assignment rights (note 4-b).

"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 2005 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	84,758
Prior years' lease payments	67,987
2004 lease payments	10,523
Outstanding lease payments	38,019
Purchase option	3,869

_07 Tangible fixed assets

Details and movement in the accounts comprising this caption of the consolidated balance sheet were as follows:

Cost	Balance at 01/02/2004	Additions	Reductions	Transfers	Other	Balance at 31/01/2005
Land and buildings	557,362	64,300	(5,224)	62,728	(1,743)	677,423
Machinery and installations	1,526,191	374,674	(66,913)	11,141	(4,508)	1,840,585
Furniture	152,846	62,091	(8,450)	(324)	(628)	205,535
Computer hardware	40,761	9,492	(593)	348	(181)	49,827
Other tangible fixed assets	47,121	1,548	(497)	67	(29)	48,210
Advances and construction in progress	54,045	73,912	(1,237)	(42,539)	(1,484)	82,697
Provisions	(30,160)	(36,919)	15,414	(4,102)	68	(55,699)
Total	**2,348,166**	**549,098**	**(67,500)**	**27,319**	**(8,505)**	**2,848,578**

Accumulated Depreciation	Balance at 01/02/2004	Additions	Reductions	Transfers	Other	Balance at 31/01/2005
Buildings	99,021	23,734	(4,077)	10,974	(44)	129,608
Machinery and installations	555,317	180,441	(42,931)	(4,000)	2,909	691,736
Furniture	57,012	25,713	(5,846)	(268)	(136)	76,475
Computer hardware	27,036	7,442	(556)	132	53	34,107
Other tangible fixed assets	10,514	3,406	(444)	129	(26)	13,579
Total	**748,900**	**240,736**	**(53,854)**	**6,967**	**2,756**	**945,505**

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

Additions to “Provisions” reflect the allowance for possible future losses that may be incurred on refurbishment performed prior to the conclusion of the useful lives of certain assets located in commercial premises where the Group carries out its activities, as well as the charge for impairment of certain investments (note 4-c).

“Transfers” reflect the cost of lease contracts which have expired during the year transferred to advances and construction in progress. “Other” 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 838.420 thousand and mainly comprises commercial premises, furniture and installations of opened stores.

At 31 January 2005 the gross cost of the Group’s fully depreciated assets is as follows:

Item	Amount
Buildings	794
Machinery and installations	99,391
Furniture	12,033
Computer hardware	15,840
Other tangible fixed assets	1,804
Total	**129,862**

At 31 January 2005 the Group has investment commitments totalling approximately Euros 600 million, which reflect refurbishment of commercial premises undertaken to open stores.

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

_08 Long-term financial investments

Detail of “Holdings in companies carried by the equity method” and movement in 2004 are as follows:

Holdings in companies carried by the equity method	Balance at 01/02/2004	Additions	Reductions	Profit/(loss) for the year	Balance at 31/01/2005
Fibracolor, S.A. and subsidiaries (note 24)	7,612	0	(22)	(358)	7,232
Other (note 21)	15,576	36,405	0	(16,420)	35,561
Total	**23,188**	**36,405**	**(22)**	**(16,778)**	**42,793**

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

Movement in long-term investment securities is as follows:

Description	Balance at 01/02/2004	Additions	Reductions	Balance at 31/01/2005
Long-term investment securities	5,991	225	(600)	5,616
Total	**5,991**	**225**	**(600)**	**5,616**

The Group's long-term investment securities portfolio includes a Euros 4.96 million interest in Banco Gallego, S.A.

At the date of formulation of these consolidated annual accounts, Inditex has made an irrevocable commitment to invest Euros 500 thousand in Uninvest Sociedad Gestora de Entidades de Capital Riesgo, S.A., the "I+D Unifondo" Venture Capital Fund management company.

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

Description	Balance at 01/02/2004	Additions	Reductions	Transfers	Other	Balance at 31/01/2005
Public entities	17,738	18,373	0	(1,662)	0	34,449
Loans to multigroup companies	3,250	575	0	0	0	3,825
Long-term guarantees and deposits	47,703	22,848	(1,793)	2,010	(490)	70,278
Other loans	7,572	109	(525)	(2,349)	0	4,807
Total	76,263	41,905	(2,318)	(2,001)	(490)	113,359

Movement in "Provisions" is as follows:

Description	Balance at 01/02/2004	Additions	Applications	Balance at 31/01/2005
Provisions	(18)	(1,636)	18	(1,636)

_09 Goodwill on consolidation

Details and movement in 2004 are as follows:

Subsidiary	Balance at 01/02/2004	Additions	Amortisation for the year	Balance at 31/01/2005
Stradivarius España, S.A.	53,253	0	(9,359)	43,894
Zara Italia, S.R.L.	0	19,960	(1,331)	18,629
Oysho Italia, S.R.L.	0	178	(4)	174
Zara Japan Corp.	0	22,531	(2,254)	20,277
BCN Diseños, S.A. de C.V.	0	15,524	0	15,524
Total	53,253	58,193	(12,948)	98,498

Additions corresponding to Zara Italia, S.r.l., Oysho Italia, S.r.l. and Zara Japan. Corp. reflect the increase in the Group's majority shareholdings in these companies through the acquisition of 29% of the share capital of the first two companies and 35% of the latter from minority interests (note 24).

The addition relating to BCN Diseños, S.A. de C.V. reflects the acquisition of 98% of this company in December 2004, which holds title to the Massimo Dutti stores in Mexico, operated as a franchise until that date (note 24).

_10 Deferred charges

Details and movement in 2004 of the accounts comprising this caption of the consolidated balance sheet were as follows:

Description	Balance at 01/02/2004	Additions	Transfers and other	Reductions	Write downs	Balance at 31/01/2005
Deferred interest	3,855	639	(189)	(43)	(1,220)	3,042
Fixed asset acquisitions and other expenses	14,047	4,749	3,578	(693)	(3,260)	18,421
Total	17,902	5,388	3,389	(736)	(4,480)	21,463

"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 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 2005 details are as follows:

Item	Balance at 31/01/2005
Goods for resale	10,110
Raw materials	33,946
Other supplies	3,987
Work in progress	16,892
Finished products	448,936
Real estate developments	170
Total	514,041

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 31/01/2005
Public entities (note 21)	118,924
Employees	990
Contributions from promoters and proprietors of premises (note 17)	30,129
Other	175
Total	150,218

_13 Short-term financial investments

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

At 31 January 2005 details of "Other loans" are as follows:

Other short-term loans	Balance at 31/01/2005
Time deposits	323,888
Short-term guarantees and deposits	2,312
Short-term loans to personnel	449
Other	616
Total	327,265

_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	190
Multigroup companies	8,587	3,191
Total	8,587	3,381

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 01/02/2004	Additions	Reductions	Transfers	Dividends	Balance at 31/01/2005
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	852,522	0	0	(11,560)	0	841,032
Restricted reserves of the Controlling Company	18,945	0	0	0	0	18,945
Revaluation reserves	1,692	0	0	0	0	1,692
Reserves at fully or proportionally consolidated companies	799,755	4,747	(1,470)	238,999	0	1,042,031
Reserves at companies carried by the equity method	(540)	129	0	(75)	0	(486)
Translation differences	(126,817)	3,893	(20,518)	911	0	(142,531)
2003 income	446,451	0	0	(228,285)	(218,166)	0
2004 income	0	628,130	0	0	0	628,130
Total	2,106,947	636,899	(21,988)	0	(218,166)	2,502,692

Additions in reserves mainly 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 2005 details are as follows:

	Reserves at fully and proportionally consolidated companies	Translation differences
Zara	767,410	130,775
Pull & Bear	90,124	1,933
Kiddy's Class	40,047	0
Massimo Dutti	104,645	524
Bershka	80,939	7,762
Stradivarius	(29,823)	56
Oysho	(11,292)	1,425
Zara Home	(19)	56
Total	1,042,031	142,531

Annex I contains details of the companies composing each chain.

Share capital

At 31 January 2005 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 2005 the members of the board of directors or related parties held approximately 59.90% of the share capital of the Controlling Company (note 25).

Treasury stock

At 31 January 2005 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. No operations have been carried out by Group companies with shares of the Controlling Company in 2004.

Stock option plan

On 20 July 2000, 19 January 2001 and 20 April 2001, the Shareholders' Meeting of Inditex resolved to implement a Stock Option Plan under which option rights would 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. 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.

The number of options to be granted depended on the appreciation of Inditex's shares in the Spanish stock exchange in 2001, 2002 and 2003. The option exercise price was Euros 2.93, and the periods for exercise commenced two years after each of the periods for calculating the above-mentioned appreciation.

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 703,203 options (523,700 in 2001 and 179,503 in 2002), of which 488,296 were exercised before 31 January 2004 and 173,705 before 31 January 2005. The difference between options granted and those exercised is due to the termination of employment relations with beneficiaries with consolidated rights.

In 2003 the forecasted objectives were not met and, consequently, the beneficiaries did not vest any further rights.

On expiry of the three periods foreseen in the Plan, the number of shares vested totals 670,017. Consequently, there is a surplus of 2,348,383 shares. 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 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.

_16 Minority interests

Details of this caption of the balance sheet and movement in 2004 are as follows:

Note	Amount
Opening balance	27,217
Allocation of 2004 income	10,101
Dividends	(2,033)
Contributions	455
Decreases on acquisitions	(7,793)
Additions on sales and changes in consolidation methods	6,865
Other	767
Closing balance	**35,582**

Decreases reflect the increase in the Group's shareholding in Zara Italia, S.R.L. and Oysho Italia, S.R.L. through the acquisition of 29% of the share capital of these companies from the minority shareholder (notes 9 and 24).

Additions correspond to the sale of 20% of the share capital of Massimo Dutti Italia, S.R.L. and Bershka Italia, S.R.L. to the minority shareholder and the increase in the Group's interest in Zara Japan, Corp., as a result of which this company is no longer proportionally consolidated and is now fully consolidated (notes 2-f, 9 and 24).

Details of minority interests in the shareholders' equity of subsidiaries are as follows:

Company	Capital stock	Reserves	Income (loss)	Total
Indipunt, S.L.	505	8,932	7,018	**16,455**
Stradivarius España, S.A.	60	1,699	2,482	**4,241**
Jema Creaciones Infantiles, S.L.	84	20	221	**325**
Zara Italia, S.R.L.	5,400	(572)	(1,107)	**3,721**
Oysho Italia, S.R.L.	344	(1)	(5)	**338**
Bershka Italia, S.R.L.	800	387	(31)	**1,156**
Massimo Dutti Italia, S.R.L.	3,000	(109)	(5)	**2,886**
Pull & Bear Italia, S.R.L.	100	(1)	(1)	**98**
Zara Japan, Corp.	1,243	1,414	1,217	**3,874**
Zara Mexico, S.A. de C.V.	492	889	240	**1,621**
Bershka Mexico, S.A. de C.V.	1	233	54	**288**
Oysho Mexico, S.A. de C.V.	6	42	11	**59**
Pull & Bear Mexico, S.A. de C.V.	13	36	13	**62**
Zara Home Mexico , S.A. de C.V.	1	21	(6)	**16**
Pase Packaging, S.A. de C.V.	421	21	0	**442**
Total	12,470	13,011	10,101	35,582

_17 Deferred revenues

Details and movement in 2004 in the accounts comprising this caption of the consolidated balance sheet were as follows:

Description	Balance at 01/02/2004	Additions	Assignation to profits	Other	Transfers	Balance at 31/01/2005
Contributions from promoters and proprietors of premises	29,014	43,509	(5,250)	(14)	9,113	76,372
Exchange gains	578	68	(578)	0		68
Other	71	0	(28)	0		43
Total	29,663	43,577	(5,856)	(14)	9,113	76,483

Certain lease contracts entered into by the Group include a contribution by the proprietor as an incentive for the Group's installation and to defray a portion of the installation costs. Consolidated companies have recorded Euros 4,992 thousand in this respect as a reduction of "Other operating expenses" in the accompanying consolidated income statement (note 2-e).

Transfers shown in the preceding chart reflect contributions received in prior years, which were recorded as a reduction in fixed assets.

_18 Provisions for contingencies and expenses

Movements in provisions for contingencies and expenses in 2004 were as follows:

Item	Balance at 01/02/2004	Dotaciones	Aplicaciones	Otros	Balance at 31/01/2005
Pension and similar commitments with employees	3,338	599	(14)	0	3,923
Provision for third-party liability	19,605	8,714	(716)	202	27,805
Other long-term provisions	136	68	0	0	204
Total	23,079	9,381	(730)	202	31,932

The provision for third-party liability was made to cover risks associated with the Group's activity.

_19 Payable to credit entitie

Details of the Inditex Group's debts to credit entities as of 31 January 2005, are as follows:

Type of debt	Limit	Balance at 31/01/2005
Loans		128,682
Credit facilities	482,633	96,781
Lease transactions		41,225
Other financial debts		1,402
Total	482,633	268,090

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

At 31 January 2005 maturities of accounts payable by the Inditex Group to credit entities are as follows:

Maturity	Amount
To 31 January 2006	160,744
To 31 January 2007	19,369
To 31 January 2008	22,260
To 31 January 2009	21,325
Subsequent years	44,392
Total	268,090

_20 Other non-trade payables

At 31 January 2005 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 31/01/2005
Guarantees received	1,022
Payable to fixed assets and other suppliers	1,144
Accrued taxes payable (note 21)	79,702
Personnel	2,914
Other long-term accounts payable	1,500
Total	86,282

Current liabilities – other non-trade payables	Balance at 31/01/2005
Accrued taxes payable (note 21)	294,150
Personnel	78,425
Payable to fixed assets suppliers	20,499
Current account with multigroup companies	24,404
Other accounts payable	6,258
Total	423,737

Short term accounts payable to fixed assets suppliers include Euros 6,070 thousand relating to deferred payments for the acquisition of the Group's holding in Stradivarius España, S.A.

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:

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

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

In general, the Spanish companies in the Group have open to inspection by the tax authorities all applicable taxes for the last four years.

"Other non-trade payables" include the liability for applicable taxes, including the provision for income tax for 2004, 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 Economy and Finance. During 2004 share capital of approximately Euros 36,405 thousand has been paid in.

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 considered to be a financial and tax operation and the estimated net result is recognised over the forecast term of the operation and included as corporate income tax. Forecast tax bases and accounting income for future years have led to an increase of Euros 30,074 thousand in accrued tax. Consequently, taking into consideration negative permanent differences and credits recorded, the net corporate income tax impact of these investments on the income statement is revenues of Euros 7,251 thousand.

The corporate income tax expense for 2004 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 2004 accounting income with taxable income for corporate income tax purposes is as follows:

Description	Amount
Accounting income for the year	628,130
Accrued corporate income tax	247,955
Net permanent differences:	
Individual companies	(75,047)
Consolidation adjustments	24,905
Net timing differences	
Individual companies	18,364
Consolidation adjustments	7,193
Offset of prior years' losses	(6,509)
Taxable income	**844,991**

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

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 6,829 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 2005 and 2004 are as follows:

Description	Balance at 31/01/2004	Balance at 31/01/2005
Deferred tax liabilities	67,567	90,791
Deferred tax assets	38,766	56,698

These amounts include Euros 15,469 thousand of deferred tax liabilities 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 2004, the provision for corporate income tax in the accompanying consolidated financial statements includes tax credits totalling Euros 47,961 thousand.

_22 Revenues and expenses

a) Transactions with multigroup and associated companies

Details of the Inditex Group's transactions in 2004 with equity accounted and multigroup companies are as follows:

	Purchases and services received	Sales and services rendered	Financial expenses	Financial revenues
Associated companies	7,446	0	0	0
Multigroup companies	121,215	38,225	19	176
Total	**128,661**	**38,225**	**19**	**176**

b) Net sales

The breakdown, by activity and geographical market, of the net sales in 2004 is as follows:

	Total	Spanish companies	Foreign companies
Net sales at Group operated stores	**5,057,327**	2,572,741	2,484,586
Net sales to franchises	**344,556**	332,319	12,237
Other textile sales	**215,537**	212,276	3,261
Services rendered	**46,011**	13,802	32,209
Other saless	**6,980**	6,980	0
Total	**5,670,411**	**3,138,118**	**2,532,293**

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

c) Employees

The headcount as of 31 January 2005 was as follows:

	Number of employees
Spain	26,719
Abroad	20,326
Total	**47,045**

The breakdown of the employee welfare expenses is as follows:

	Amount
Employer social security costs	153,219
Other employee welfare expenses	19,076
Total	**172,295**

d) Distribution of net income

The detail of the net income contributed by the consolidated companies, grouped by line of business, is shown in the chart below. Details by individual company are not provided as it is considered strategic information, and it would not reflect the effective contribution to consolidated income.

Line of business	Amount
Retail distribution	556,961
Manufacturing	50,471
Other activities	20,698
Total	**628,130**

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	4,636,250	82%
Other European currencies	354,091	6%
US Dollar	75,250	1%
Other American currencies	506,940	9%
Other currencies	97,880	2%
Total	5,670,411	100%

Approximately 25.6% of the purchases were made in US Dollars and the remaining 74.4% 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 results.

_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 2004, mainly for the US Dollar, Pound Sterling, Japanese Yen and Mexican Peso. Open hedging operations at 31 January 2004 are as follows:

Type of coverage	Purchase currency	Nominal purchase (thousands of USD)	Sale currency
Forward currency purchase	USD	227,125	EUR
European options	USD	12,000	EUR

All the abovementioned operations mature in the short term.

_24 Options and commitments from investments in subsidiaries and associated companies

Stradivarius España, S.A.

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 thousand 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.

Zara Deutschland, GmbH, Oysho Deutschland, GmbH y Massimo Dutti Deutschland, GmbH

The Inditex Group 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 the Inditex Group. 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.

Zara Japan Corporation

At 31 January 2004 Inditex held 50% of the share capital of Zara Japan Corporation.

In December 2003 Inditex commenced negotiations with the other shareholder (Bigi Group) aimed at acquiring a majority shareholding in the share capital of Zara Japan Corporation through the acquisition of 35% of the share capital of this company from this shareholder and signing a new contract of association to regulate the relationship between the shareholders. In May 2004 Inditex reached a firm agreement with the Bigi Group, whereby it acquired a 35% interest in the share capital of Zara Japan Corporation for Euros 29.03 million (note 9).

At the same date, a new contract of association was signed assigning Inditex a purchase option on the remaining 15% of the share capital of Zara Japan Corporation owned by the Bigi Group, which in turn has an option to sell its entire interest to Inditex. The period for exercising this option is the term of the agreement as from 1 February 2006. The options were granted without any premium and the exercise price comprises a fixed and variable portion, which will depend on the results of the company in the two years prior to exercise of the option as well as the number of stores operated by this company at the date the options are exercised.

Zara México, S.A. de C.V., Bershka México, S.A. de C.V., Oysho México, S.A. de C.V., Pull&Bear México, S.A. de C.V. and Zara Home México, S.A. de C.V.

The Inditex Group 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., 1.5% of Pull & Bear Mexico, S.A. de C.V. and 1.5% of Zara 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.

BCN Diseños, S.A. de C.V.

In 2004 the Inditex Group commenced negotiations with the franchise which operated the commercial activities of Massimo Dutti in Mexico, BCN Diseños, S.A. de C.V. aimed at acquiring a 98% interest in the share capital of this company and signing a contract of association to regulate the relationship between the shareholders.

In December 2004 the Group reached a firm agreement with this franchise, whereby Pase Packaging, S.A. de C.V. was incorporated, in which Inditex holds a 98% shareholding. Subsequently, this company acquired 100% of Liprasa Cartera, S.L., which holds a 90% share in BCN Diseños, S.A. de C.V. The remaining 10% share was acquired directly by Pase Packaging, S.A. de C.V. The total amount of this acquisition was Euros 20.62 million (note 9).

Zara Italia, S.R.L.

At 31 January 2004 Inditex held 51% of the share capital of Zara Italia SRL.

In March 2004 Inditex reached an agreement with the other shareholder (Percassi Group), whereby it acquired 29% of the share capital of Zara Italia, S.R.L. for Euros 27.25 million (note 9).

At the same date, a new contract of association was signed awarding Inditex a purchase option on the 20% interest in the share capital of Zara Italia, S.R.L. held by the Percassi Group, which in turn has an option to sell its entire interest to Inditex. The period for exercising this option is the term of the agreement as from 1 February 2006. The options were granted without any premium and the exercise price comprises a fixed and variable portion, which will depend on the shareholders' equity and results of the subsidiary and the number of stores operated by this company at the date the options are exercised.

Oysho Italia, S.R.L., Bershka Italia, S.R.L., Massimo Dutti Italia, S.R.L. and Pull&Bear Italia, S.R.L.

The Inditex Group holds a purchase option on the 20% interest in the share capital of Oysho Italia, S.R.L., Bershka Italia, S.R.L., Massimo Dutti Italia, S.R.L. and Pull&Bear Italia, S.R.L. held by the Percassi Group, which in turn holds an option to sell its entire shareholding to the Inditex Group. The period for exercising this option is the term of the agreement as from 1 February 2006. The options were granted without any premium and the exercise price comprises a fixed and variable portion, which will depend on the shareholders' equity and results of the subsidiary as well as the number of stores operated by this company at the date the options are exercised.

Fibracolor, S.A.

As a result of the agreements between the shareholders of Fibracolor, during 2006 and 2007 Inditex is required to acquire a total of 463,509 shares held by the public company Empresa de Promoció i Localització Industrial de Catalunya, S.A. (EPLICSA), which represent 13.45% of the share capital of Fibracolor. As a result of this acquisition, Inditex will hold majority voting rights in this company. At 31 December 2004 the shareholders' equity of Fibracolor, S.A. totalled Euros 24 million. Losses for 2004 were Euros 0.9 million and total assets amounted to Euros 61.4 million.

Young Fashion, SP. Z.O.O.

In March 2005 Inditex reached a pre-agreement for the acquisition of 51% of the operations of the Zara chain in Poland, which were controlled by a franchise until that date. The agreement foresees that Inditex will obtain a minimum shareholding of 80% of Zara in Poland in 2008. The agreements are subject to compliance with certain requirements and the results of the corresponding due diligence and it is, therefore, foreseen that they will be formalised and executed during 2005.

_25 Directors' compensation and transactions with related parties

Directors' Compensation

In 2004 the members of the Controlling Company's board of directors earned total remuneration of Euros 4,193 thousand as follows:

	Executive directors	Independent and shareholder directors	Total
Fixed and variable remuneration	3,249	0	3,249
Remuneration as board members	391	553	944
Total	3,640	553	4,193

During 2004 members of the board exercised 50,736 options on shares which had been vested during 2002 (note 15).

Subsequent to the 2004 year end, an executive director resigned from his position in the Group, as a result of which he received a final consideration of Euros 3.2 million, which has been charged to income for 2004 as personnel expenses. This amount was paid in February 2005 and is not included in the preceding chart.

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 parties

In 2004 the Group has earned revenues on transactions with the members of the board of directors and related companies totalling Euros 3,014 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 35 commercial premises owned by companies 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 2004 for the aforementioned premises, amount to Euros 6,054 thousand.

In 2004 Inditex sold two plots of land and the industrial installations on one of these sites in Badalona for Euros 5,109 thousand to a company controlled by a member of the Group's management team who in turn is related to one of the directors of the controlling company. These assets were not used in the production activity or by the Group at the date of sale, but were assets available for sale.

At 31 January 2005 Group company balances receivable from and payable to members of the board of directors and related companies total Euros 138 thousand and Euros 9 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 2005 the members of the board of directors at that date 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
Amancio Ortega Gaona	Gartler, S.L.	369,600,000	59.29%
Amancio Ortega Gaona	Individual	63	0.00%
Juan Carlos Rodríguez Cebrián	Individual	2,149,296	0.35%
José María Castellano Ríos	Individual	1,393,902	0.22%
Antonio Abril Abadín	Individual	144,975	0.02%
Carlos Espinosa de los Monteros Bernaldo de Quirós	Individual	28,345	0.01%
J. Manuel Urgoiti López de Ocaña	Individual	21,699	0.00%
Francisco Luzón López	Cañabara, S.A.	565	0.00%
Francisco Luzón López	Individual	134,568	0.02%
Fred Horst Langhammer	Individual	25,000	0.00%
Irene Ruth Miller	Individual	24,199	0.00%
Total		373,522,612	59.91%

_26 Transition to international financial reporting standards (IFRS)

In accordance with European Commission and European Parliament Regulation (EC) 1606/2002 dated 19 July 2002, relating to application of International Accounting Standards, and the final provision 11 of Law 62/2003 of 30 December 2003 on Tax, Administrative and Social Measures, the Inditex Group is required to prepare its consolidated annual accounts for 2005 in conformity with the International Accounting Standards approved by the European Commission (hereinafter International Financial Reporting Standards (IFRS)).

Furthermore, the Group's consolidated annual accounts for 2005 should include a comparative consolidated balance sheet and consolidated income statement for 2004 prepared following the same criteria as those applied for preparation of the consolidated annual accounts for 2005.

In order to adapt to the new legal framework for preparation of financial information, the Inditex Group has implemented a programme for transition to the new regulations which includes, inter alia, analysis of the differences with the accounting criteria established by legislation currently prevailing in Spain, the selection of accounting criteria applicable in circumstances which allow alternative treatment and the evaluation of modifications to procedures and information systems.

At the date of these consolidated annual accounts, the Group is preparing information on which to base a reasonably objective estimate as to the extent that the consolidated balance sheet and consolidated income statement for 2004 will differ from those prepared under International Financial Reporting Standards for inclusion in the consolidated annual accounts for 2005 for comparative purposes.

_27 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 2004 are as follows:

	Amount
Audit services	2,885
Corporate responsibility services	117
Other services	271
Total	3,273

Corporate responsibility services include the review of suppliers' workshops and factories. Other services comprise legal and tax advisory services rendered to foreign subsidiaries and advice in the implementation of international financial reporting standards.

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.

ANNEX I
Composition of the Inditex Group

The companies composing the consolidated Group as of 31 January 2005 are as follows:

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Controling Company	La Coruña - Spain	Fully cons.	31/1/05	Zara	Controling Company
Comditel, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Zara	Textile purchasing centre
Inditex Asia, Ltd.	100.00%	Hong Kong - China	Fully cons.	31/1/05	Zara	Textile purchasing centre
Zara Asia, Ltd.	100.00%	Hong Kong - China	Fully cons.	31/1/05	Zara	Textile purchasing centre
Choolet, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Confecciones Fíos, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Confecciones Goa, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Denllo, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Hampton, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Jema Creaciones Infantiles, S.L.	45.90%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Kenner, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Kettering, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Nikole, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Samlor, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Sircio, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Stear, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Textil Rase, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Trisko, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Zintura, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Glencare, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
Indipunt, S.L.	51.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Textile manufacturing
UAB Rofestas	100.00%	Vilnius - Lithuania	Fully cons.	31/1/05	Zara	Textile manufacturing
Zara España, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Retailing
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	Fully cons.	31/1/05	Zara	Retailing
Zara Belgique, S.A.	100.00%	Brussels - Belgium	Fully cons.	31/1/05	Zara	Retailing
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	Fully cons.	31/12/04	Zara	Retailing
Zara USA Inc.	100.00%	New York - USA	Fully cons.	31/1/05	Zara	Retailing
Zara France, S.A.R.L.	100.00%	Paris - France	Fully cons.	31/1/05	Zara	Retailing
Zara UK, Ltd.	100.00%	London - Great Britain	Fully cons.	31/1/05	Zara	Retailing
Zara Hellas, S.A.	100.00%	Athens - Greece	Fully cons.	31/1/05	Zara	Retailing
Zara México, S.A. de C.V.	95.00%	Mexico DF - Mexico	Fully cons.	31/12/04	Zara	Retailing
Zara Portugal Confecçoes Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Zara	Retailing
Zara Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully cons.	31/1/05	Zara	Retailing
Grupo Zara Uruguay, S.A.	100.00%	Montevideo - Uruguay	Fully cons.	31/1/05	Zara	Retailing
Zara Brasil, Lda	100.00%	Sao Paulo - Brazil	Fully cons.	31/12/04	Zara	Retailing
Zara Nederland, B.V.	100.00%	Amsterdam - Holland	Fully cons.	31/1/05	Zara	Retailing
Zara Osterreich Clothing, GmbH	100.00%	Vienna - Austria	Fully cons.	31/1/05	Zara	Retailing
Zara Danmark A/S	100.00%	Copenhagen - Denmark	Fully cons.	31/1/05	Zara	Retailing
Zara Sverige, AB	100.00%	Stockholm - Sweden	Fully cons.	31/1/05	Zara	Retailing
Zara Norge, AS	100.00%	Oslo - Norway	Fully cons.	31/1/05	Zara	Retailing
Zara Canada, Inc.	100.00%	Montreal - Canada	Fully cons.	31/1/05	Zara	Retailing
Zara Suisse S.A.R.L.	100.00%	Friburg - Switzerland	Fully cons.	31/1/05	Zara	Retailing
Zara Luxembourg, S.A.	100.00%	Luxemburg - Luxemburg	Fully cons.	31/1/05	Zara	Retailing
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Fully cons.	31/1/05	Zara	Retailing
Zara Italia, S.R.L.	80.00%	Milan - Italy	Fully cons.	31/1/05	Zara	Retailing
Zara Japan Corp.	85.00%	Tokyo - Japan	Fully cons.	31/1/05	Zara	Retailing
Zara Ceská Republika, S.R.O.	100.00%	Prague - Czech Rep.	Fully cons.	31/1/05	Zara	Retailing
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	Fully cons.	31/1/05	Zara	Retailing
Za Clothing Ireland, Ltd.	100.00%	Dublin - Ireland	Fully cons.	31/1/05	Zara	Retailing
Zara Magyarország, KFT.	100.00%	Budapest - Hungary	Fully cons.	31/1/05	Zara	Retailing
Kiddy's Class España, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Kiddy's Class	Retailing
Kiddy's Class Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Kiddy's Class	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Subsidiaries:						
Oysho España, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Oysho	Retailing
Oysho Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully cons.	31/1/05	Oysho	Retailing
Oysho Portugal, Conf. Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Oysho	Retailing
Oysho Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Fully cons.	31/12/04	Oysho	Retailing
Oysho Italia, S.R.L.	80.00%	Milan - Italy	Fully cons.	31/1/05	Oysho	Retailing
Oysho Hellas, S.A.	100.00%	Athens - Greece	Fully cons.	31/1/05	Oysho	Retailing
Oysho Osterreich, GmbH	100.00%	Vienna - Austria	Fully cons.	31/1/05	Oysho	Retailing
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti Hellas, S.A.	100.00%	Athens - Greece	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Fully cons.	31/12/04	Massimo Dutti	Retailing
Massimo Dutti Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti UK, Ltd.	100.00%	London - Great Britain	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti Suisse, S.A.R.L.	100.00%	Friburg - Switzerland	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti Sverige, AB	100.00%	Stockholm - Sweden	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti Norge, AS	100.00%	Oslo - Norway	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti Italia, S.R.L.	80.00%	Milan - Italy	Fully cons.	31/1/05	Massimo Dutti	Retailing
Massimo Dutti Ireland., Ltd	100.00%	London - Great Britain	Fully cons.	31/1/05	Massimo Dutti	Retailing
Pase Packaging, S.A. de C.V.	98.00%	Mexico DF - México	Fully cons.	31/12/04	Massimo Dutti	Retailing
BCN Diseños, S.A. de C.V.	95.00%	Mexico DF - México	Fully cons.	31/12/04	Massimo Dutti	Retailing
Vajo, N.V.	100.00%	Brussels - Belgium	Fully cons.	31/1/05	Massimo Dutti	Retailing
Pull & Bear España, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Pull & Bear	Retailing
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	Fully cons.	31/1/05	Pull & Bear	Retailing
Pull & Bear Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Pull & Bear	Retailing
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Fully cons.	31/12/04	Pull & Bear	Retailing
Pull & Bear Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully cons.	31/1/05	Pull & Bear	Retailing
Pull & Bear Mexico, S.A. de C.V.	95.50%	Mexico DF - México	Fully cons.	31/12/04	Pull & Bear	Retailing
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Fully cons.	31/1/05	Pull & Bear	Retailing
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	Fully cons.	31/1/05	Pull & Bear	Retailing
Pull & Bear Italia, S.R.L.	80.00%	Milan - Italy	Fully cons.	31/1/05	Pull & Bear	Retailing
Often España, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Pull & Bear	Retailing
Often Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Pull & Bear	Retailing
Bershka BSK España, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Bershka	Retailing
Bershka Portugal Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Bershka	Retailing
Bershka Hellas, S.A.	100.00%	Athens - Greece	Fully cons.	31/1/05	Bershka	Retailing
Bershka Mexico, S.A. de CV	97.00%	Mexico DF - México	Fully cons.	31/12/04	Bershka	Retailing
Bershka BSK Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully cons.	31/1/05	Bershka	Retailing
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100.00%	Istanbul - Turkey	Fully cons.	31/12/04	Bershka	Retailing
Bershka Belgique, S.A.	100.00%	Brussels - Belgium	Fully cons.	31/1/05	Bershka	Retailing
Bershka France, S.A.R.L.	100.00%	Paris - France	Fully cons.	31/1/05	Bershka	Retailing
Bershka Suisse, S.A.R.L.	100.00%	Friburg - Switzerland	Fully cons.	31/1/05	Bershka	Retailing
Bershka Nederland, B.V.	100.00%	Amsterdam - Holland	Fully cons.	31/1/05	Bershka	Retailing
Bershka Italia, S.R.L.	80.00%	Milan - Italy	Fully cons.	31/1/05	Bershka	Retailing
Bershka U.K., Ltd.	100.00%	London - Great Britain	Fully cons.	31/1/05	Bershka	Retailing
Bershka Ireland., Ltd	100.00%	London - Great Britain	Fully cons.	31/1/05	Bershka	Retailing
Stradivarius España, S.A.	90.05%	Barcelona - Spain	Fully cons.	31/1/05	Stradivarius	Retailing
Stradivarius Hellas, S.A.	90.05%	Athens - Greece	Fully cons.	31/1/05	Stradivarius	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Subsidiaries:						
Stradivarius Portugal, Conf. Unip. Lda.	90.05%	Lisbon - Portugal	Fully cons.	31/1/05	Stradivarius	Retailing
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	90.15%	Istanbul - Turkey	Fully cons.	31/12/04	Stradivarius	Retailing
Zara Home España, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara Home	Retailing
Zara Home Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Zara Home	Retailing
Zara Home U.K., Ltd.	100.00%	London - Great Britain	Fully cons.	31/1/05	Zara Home	Retailing
Zara Home Hellas, S.A.	100.00%	Athens - Greece	Fully cons.	31/1/05	Zara Home	Retailing
Zara Home Nederland, B.V.	100.00%	Amsterdam - Holland	Fully cons.	31/1/05	Zara Home	Retailing
Zara Home Mexico, S.A. de C.V.	98.50%	Mexico DF - México	Fully cons.	31/12/04	Zara Home	Retailing
Bershka Logistica, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Bershka	Logistics
Massimo Dutti Logistica, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Massimo Dutti	Logistics
Oysho Logística, S.A.	100.00%	Barcelona - Spain	Fully cons.	31/1/05	Oysho	Logistics
Pull & Bear Logistica, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Pull & Bear	Logistics
Zara Logística, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Logistics
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	Fully cons.	31/1/05	Zara	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100.00%	Mexico DF - México	Fully cons.	31/12/04	Zara	Services
Zara Financien B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Finance
Zara Mexico, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Finance
Zara Holding, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Portfolio
Zalapa, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Portfolio
Massimo Dutti Holding, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Massimo Dutti	Portfolio
Liprasa Cartera, S.L.	98.00%	Madrid - Spain	Fully cons.	31/12/04	Massimo Dutti	Portfolio
Zara Merken, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Exploitation of trademarks
Gos-Invest, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Construction and real estate
Zara Vastgoed, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Real estate
Vastgoed Asia, Ltd.	100.00%	Hong Kong - China	Fully cons.	31/1/05	Zara	Real estate
SNC Zara France Immobiliere	100.00%	Paris - France	Fully cons.	31/12/04	Zara	Real estate
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	Fully cons.	31/12/04	Zara	Real estate
SCI Vastgoed France P03301	100.00%	Paris - France	Fully cons.	31/12/04	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	Fully cons.	31/12/04	Zara	Real estate
SCI Vastgoed Nancy P03304	100.00%	Paris - France	Fully cons.	31/12/04	Zara	Real estate
Invercarpro, S.A.	100.00%	Madrid - Spain	Fully cons.	31/1/05	Zara	Real estate
Robustae S.G.P.S. Unip. Lda.	100.00%	Lisbon - Portugal	Fully cons.	31/1/05	Zara	Real estate
Lefties España, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Real estate
Inditex Cogeneración, A.I.E.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Cogeneration plant
Inditex, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Inactive as of 31/01/05
Zara Italia, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Inactive as of 31/01/05
Fruminga, B.V.	100.00%	Breda - Holland	Fully cons.	31/1/05	Zara	Inactive as of 31/01/05
Zara, S.A.	100.00%	La Coruña - Spain	Fully cons.	31/1/05	Zara	Inactive as of 31/01/05
Zara, S.A.	100.00%	Buenos Aires - Argentina	Fully cons.	31/1/05	Zara	Inactive as of 31/01/05

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Multigroup companies:						
Tempe, S.A.	50.00%	Alicante - Spain	Proportional	31/1/05	Zara	Marketing of shoewear
Tempe México, S.A. de C.V.	50.00%	Mexico DF - México	Proportional	31/12/04	Zara	Marketing of shoewear
Tempe Logística, S.A.	50.00%	Alicante - Spain	Proportional	31/1/05	Zara	Logistics
Zara Deutschland, GmbH	50.00%	Hamburg - Germany	Proportional	31/1/05	Zara	Retailing
Massimo Dutti Deutschland, GmbH	50.00%	Hamburg - Germany	Proportional	31/1/05	Massimo Dutti	Retailing
Oysho Deutschland, GmbH	50.00%	Hamburg - Germany	Proportional	31/1/05	Oysho	Retailing
Group Zara Australia Pty. Ltd.	50.00%	Sidney - Australia	Proportional	31/1/05	Zara	Inactive as of 31/01/05

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Associated companies:						
Fibracolor Decoración, S.A.	39.97%	Barcelona - Spain	Equity	31/12/04	Zara	Decoration
Fibracolor, S.A.	39.97%	Barcelona - Spain	Equity	31/12/04	Zara	Purchase and treatment of cloth
Naviera Elcaño, A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera Caleste, A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera del Miño, A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera del Sil, A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera Venus, A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera Berlin , A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera Covadonga , A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera Gran Sol , A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing
Naviera Guadiana , A.I.E.	49.00%	Las Palmas - Spain	Equity	31/12/04	Zara	Assets leasing

ceuta | cuenca | san javier | plasencia
palma de mallorca
ronda | kuwait | manresa | sabadell
santa cruz de tenerife | toledo | zaragoza
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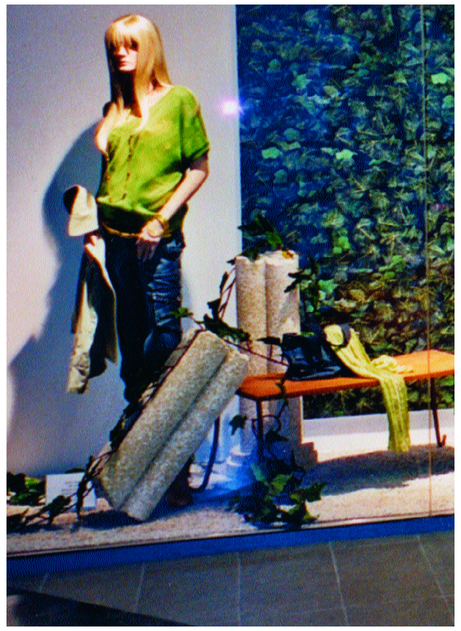
arona | casablanca | huelva |
Stradivarius bilbao | vigo | adeje...



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zaragoza | huelva | bilbao
amsterdam | santander...

Zara Home




07_0

Consolidated management report for the year 2004

07_0 Consolidated management report for the year 2004

07_1 Consolidated financial statements

a) 2004 profit & loss account

millions of euros

	FY 2004	**FY2003**	**Var % 04/03**
Net sales	5,670.4	*4,598.9*	*23%*
Cost of sales	(2,636.2)	*(2,293.0)*	
Gross profit	**3,034.2**	**2,306.0**	**32%**
Gross margin	*53.5%*	*50.1%*	
Operating expenses	(1,794.5)	*(1,432.5)*	*25%*
Operating cash flow (EBITDA)	**1,239.7**	**873.5**	**42%**
EBITDA margin	*21.9%*	*19.0%*	
Fixed assets depreciation	(276.4)	*(221.2)*	*25%*
Goodwill amortisation	(12.9)	*(9.4)*	
Provisions	(25.2)	*(15.9)*	
Operating income (EBIT)	**925.2**	**627.0**	**48%**
EBIT Margin	*16.3%*	*13.6%*	
Net financial results	(22.5)	*(7.9)*	
Ordinary income	**902.7**	**619.1**	**46%**
Ordinary margin	*15.9%*	*13.5%*	
Extraordinary income (loss)	(16.5)	*(5.7)*	
Income before taxes	**886.2**	**613.4**	**44%**
EBT margin	*15.6%*	*13.3%*	
Taxes	(248.0)	*(164.8)*	
Net income before minorities	**638.2**	**448.6**	**42%**
	11.3%	*9.8%*	
Minorities	(10.1)	*(2.2)*	
Net income	**628.1**	**446.5**	**41%**
Net income margin	*11.1%*	*9.7%*	
Earnings per share. euro cents (*)	**101**	**72**	**41%**

(*) On 623,330,400 shares

b) Consolidated Balance Sheet as of 31 January 2005

	millions of euros	
	31 January 2005	31 January 2004
Assets		
Net fixed assets (*)	2,507.2	2,118.3
Goodwill	98.5	53.3
Deferred charges	21.5	17.9
Total fixed assets	**2,627.1**	**2,189.4**
Inventories	514.0	486.4
Receivables	282.5	328.9
Cash & cash equivalents	773.3	496.4
Accruals	12.3	9.3
Total current assets	**1,582.0**	**1,320.9**
Total assets	**4,209.2**	**3,510.4**
Shareholders' Equity & Liabilities		
Shareholders' equity	**2,502.7**	**2,105.9**
Minority interest. deferred revenues & provisions	144.0	80.0
Long term financial debt	107.3	156.6
Other long term payables	86.3	75.2
Long term liabilities	**337.6**	**311.7**
Short term financial debt	160.7	81.5
Trade and other non-trade payable	1,208.1	1,011.2
Current liabilities	**1,368.9**	**1,092.7**
Total liabilities	**4,209.2**	**3,510.4**

(*) Includes own shares for Euro 0.89 million.

c) Consolidated Statement of Cash Flows

	millions of euros		
	FY 2004	FY 2003	Var% 04/03
Net income	**628.1**	**446.5**	**41%**
Adjustments to income			
Depreciation and amortization	289.3	229.2	
Changes in provisions	48.4	9.5	
Gains on fixed assets disposals	(4.8)	(5.8)	
Losses on fixed assets disposals	7.0	19.7	
Income (loss) attributed to minority interest	10.1	2.2	
Deferred and prepaid tax	5.0	7.4	
Foreign exchange impact	17.8	0.0	
Other	14.4	13.3	
Funds from operations	**1,015.3**	**722.0**	**41%**
Changes in assets and liabilities			
Increase in inventories	(27.5)	(104.0)	
Increase in accounts receivable	68.9	(81.8)	
Increase in accrual accounts	(2.6)	(0.1)	
Decrease in current liabilities	174.0	189.8	
Changes in working capital	**212.9**	**3.9**	
Cash from operations	**1,228.2**	**725.9**	**69%**
Intangible assets investments	(80.9)	(93.7)	
Tangible assets investments	(548.7)	(471.7)	
Acquisitions of businesses	(108.2)	(41.9)	
Addition to other long-term financial investments	(17.7)	(29.4)	
Other assets investments	(5.0)	(8.0)	
Fixed assets sales and retirements	14.2	16.3	
Sale of long-term financial investments	4.6	0.0	
Capital expenditure	**(741.7)**	**(628.4)**	**18%**
Increase in long-term financial debt	0.0	25.8	
Decrease in long-term financial debt	(61.0)	0.0	
Net decrease in other long-term debt	0.4	2.0	
Net increase in current debt	82.4	(63.0)	
Dividends	(220.2)	(89.3)	
Other financing activities	0.5	7.4	
Cash used in financing activities	**(197.9)**	**(117.1)**	**69%**
Net increase in cash and cash equivalents	288.6	(19.6)	
Foreign exchange impact on cash & cash equivalents	(11.7)	0.0	
Cash and cash equivalents at beginning of the year	496.4	516.0	
Cash and cash equivalents at end of the year	**773.3**	**496.4**	

07_2 Comments on the consolidated results

After a difficult year 2003, 2004 has characterised for an increase in sales and an improvement of gross margin. All the concepts have performed satisfactorily resulting in a recovery of the Group's historical financial returns. Gross margin improved 337 b.p. up to 53.5% of sales, the highest in the Group's history, and operating margins improved 268 b.p. to 16.3% on sales.

At year end there were 2,244 stores in 56 countries with eight different concepts: Zara, Kiddy's Class, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home.

_01 Sales

Net sales reached Euros 5,670.4 million, an increase of 23% over the previous year (25% on a constant currency basis).

Number of stores and openings

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

	Net openings		Total stores	
Concept	FY 2004	FY 2003	31 Jan 2005	31 Jan 2004
Zara	97	95	723	626
Kiddy's Class	26	44	129	103
Pull & Bear	21	54	371	350
Massimo Dutti	29	47	326	297
Bershka	49	56	302	253
Stradivarius	36	38	227	191
Oysho	28	4	104	76
Zara Home	36	26	62	26
Total	322	364	2,244	1,922

A detail of quarterly openings and stores opened at year end by concept and by country is included in Annexes II and III, respectively.

Company-managed and franchised stores

The breakdown of company-managers and franchised stores at year end is as follow:

	2004			2003		
Chain	Co. Mag.	Franchises	Total	Co. Mag.	Franchises	Total
Zara	649	74	723	567	59	626
Kiddy's Class	129	–	129	103	–	103
Pull & Bear	333	38	371	314	36	350
Massimo Dutti	228	98	326	199	98	297
Bershka	295	7	302	247	6	253
Stradivarius	183	44	227	154	37	191
Oysho	102	2	104	74	2	76
Zara Home	62	–	62	26	–	26
Total	1,981	263	2,244	1,684	238	1,922

Selling area

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

	Total selling area			Sales per SqM (euros)		
	31 Jan 2005	31 Jan 2004	Chg % 04/03	FY2004	FY2003	Chg % 04/03
Zara	811,100	686,090	18%	5,130	5,192	-1%
Kiddy's Class	25,265	20,614	23%	5,263	5,926	-11%
Pull & Bear	73,774	67,175	10%	5,346	4,819	11%
Massimo Dutti	74,517	62,060	20%	7,921	7,742	2%
Bershka	104,916	85,835	22%	5,441	5,064	7%
Stradivarius	57,301	49,808	15%	4,572	3,474	32%
Oysho	13,938	10,932	27%	5,664	4,371	30%
Zara Home	14,259	5,843	144%	4,296	n/a	n/a
Total	1,175,070	988,357	19%	5,304	5,220	2%

Like-for-like sales (LFL)

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

The Group's like-for-like sales grew by 9% in 2004. This increase shows the annual change of sales in stores opened for the whole fiscal years 2004 and 2003, converted to Euro using constant exchange rates.

The table below shows the increase in like-for-like sales for each semester of the last six years:

LFL Sales

	2004	2003	2002	2001	2000	1999	1998
First half	**8%**	6%	12%	9%	13%	6%	13%
Second half	**10%**	(2%)	10%	9%	9%	5%	12%
Full year	**9%**	**1%**	**11%**	**9%**	**9%**	**5%**	**11%**

The like-for-like calculation for 2004 includes 57% of the selling area at 31 January 2005 (stores opened for the whole of years 2004 and 2003).

Increase in 2004 of sales at constant exchange rates resulting from space not included in the LFL calculation has been 16%.

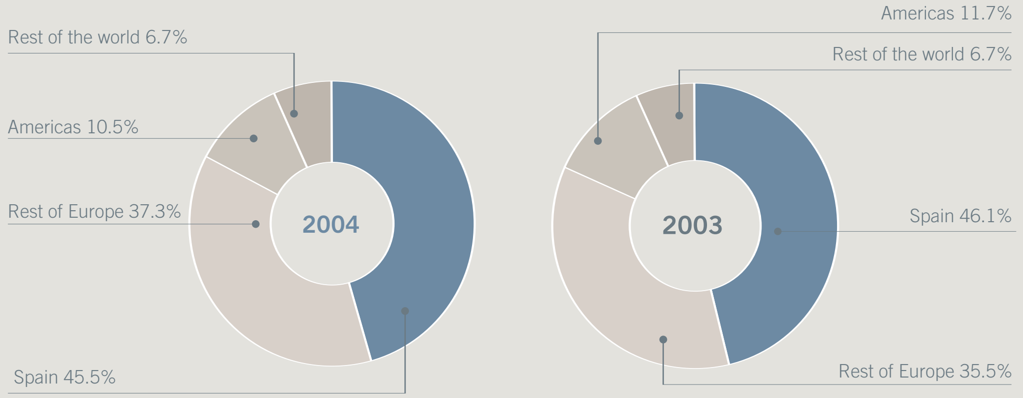
Sales by concept

Details of net sales by concept in 2004 and 2003 are shown in the table below:

	millions of euros			percentage on total	
Concept	2004	2003	% Chng. 04/03	2004	2003
Zara	3,819.6	3,219.6	19%	67.4%	70.0%
Kiddy's Class	120.6	89.7	35%	2.1%	1.9%
Pull & Bear	378.9	287.9	32%	6.7%	6.3%
Massimo Dutti	481.3	388.9	24%	8.5%	8.5%
Bershka	516.0	395.0	31%	9.1%	8.6%
Stradivarius	241.9	162.0	49%	4.3%	3.5%
Oysho	71.7	45.1	59%	1.3%	1.0%
Zara Home	40.4	10.6	279%	0.7%	0.2%
Total sales	**5,670.4**	**4,598.9**	**23%**	**100.0%**	**100.0%**

Store sales by geographic area

The following graph shows store sales by geographic areas:



European markets (excluding Spain) are absorbing the majority of international growth (180 b.p.) while the weight of the Americas has decreased (120 b.p.) mainly due to the depreciation of the currencies in the area.

The percentage of international sales in stores by concept is the following:

Percentage international store sales

Concept	2004	2003
Zara	65.8 %	63.5 %
Kiddy's Class	12.8 %	13.4 %
Pull & Bear	30.2 %	31.0 %
Massimo Dutti	41.9 %	40.9 %
Bershka	35.7 %	33.8 %
Stradivarius	15.4 %	16.6 %
Oysho	31.5 %	35.1 %
Zara Home	12.7 %	8.5 %
Total	**54.5 %**	**53.9 %**

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:

	2004		2003	
Concept	Company manages	Franchised	Company managed	Franchised
Zara	91%	9%	92%	8%
Kiddy's Class	100%	–	100%	–
Pull & Bear	91%	9%	91%	9%
Massimo Dutti	68%	32%	65%	35%
Bershka	98%	2%	97%	3%
Stradivarius	82%	18%	80%	20%
Oysho	98%	2%	98%	2%
Zara Home	100%	–	–	–
Total	**90%**	**10%**	**90%**	**10%**

_02 Gross profit

Gross profit amounted to Euros 3,034.2 million, 32% higher than the previous year. Gross margin increased 337 basis points up to reach 53.5% of sales (50.1% in 2003). This improvement in the gross margin has been driven by:

- price increases in some Latin American countries,
- less currency impact,
- higher mark-ups,
- better inventory management
- and less clearance activity compared to the previous year

Under current circumstances, 53.5% is the Group's best estimate for the 2005 gross margin.

_03 Operating cash flow (EBITDA)

EBITDA for the year 2004 amounts to Euros 1,239.7 million, an increase of 42% compared to the previous year.

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

	millions of euros		
	FY 2004	FY 2003	% 04/03
Personnel expenses	821.4	678.2	21%
Other operating expenses	973.1	754.3	29%
Total operating expenses	**1,794.5**	**1,432.5**	**25%**

At 31 January 2005 the number of employees in the Group is 47,045 (39,760 in 2003).

Operating expenses include all start-up costs incurred in new openings. These expenses reflect the underlying trend of higher costs incurred in new stores, mainly in international markets.

As a result of the growth in LFL sales and the improvement in gross margin, EBITDA has increased to 21.9% of sales (19.0% in 2003).

_04 Operating income (EBIT)

EBIT for the year amounts to Euros 925.2 million, which represents an increase of 48% in relation to the previous year and a 16.3% of sales (13.6% in 2003).

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

The increase in goodwill amortization is due to the increase in the stakes in Zara Italy and Zara Japan and the acquisition of the franchised operations of Massimo Dutti in Mexico.

EBIT by concept

The breakdown of operating income (EBIT) by concept is as follows:

	millions of euros			% EBIT on sales		on total (%)	
Concept	2004	2003	% Chng. 04/03	2004	2003	2004	2003
Zara	647.8	476.1	36%	17.0%	14.8%	70.0%	75.9%
Kiddy's Class	21.7	18.0	21%	18.0%	20.0%	2.3%	2.9%
Pull & Bear	56.2	18.9	198%	14.8%	6.6%	6.1%	3.0%
Massimo Dutti	75.1	60.1	25%	15.6%	15.5%	8.1%	9.6%
Bershka	82.5	57.3	44%	16.0%	14.5%	8.9%	9.1%
Stradivarius	38.9	4.4	784%	16.1%	2.7%	4.2%	0.7%
Oysho	15.6	2.1	633%	21.8%	4.7%	1.7%	0.3%
Zara Home	0.3	(0.5)	n/a	0.8%	n/a	0.0%	(0.1%)
Goodwill (*)	(12.9)	(9.4)	n/a	(0.2%)	(0.2%)	(1.4%)	(1.5%)
Total EBIT	**925.2**	**627.0**	**48%**	**16.3%**	**13.6%**	**100.0%**	**100.0%**

(*) Goodwill depreciation is attributable to Stradivarius and Zara.

_05 Ordinary Income

Ordinary income amounts to Euros 902.7 million, an increase of 46% in respect of 2003.

Net financial results break down is as follows:

	millions of euros	
	2004	2003
Net financial expenses	(5.0)	(3.4)
Foreign exchange losses	(17.1)	(4.6)
Net losses of companies carried by the equity method	(0.4)	0.1
Total	**(22.5)**	**(7.9)**

Net financial expenses include Euros 2.1 million corresponding to the restatement of financial expenses in high-inflation countries.

Foreign exchange losses are mainly due to the weakness of the US dollar vs. Euro. This situation has caused losses in inter-company balances and in some hedging operations settlements.

_06 Income before taxes

Income before taxes amounts to Euros 886.2 million, 44% higher than the previous year.

Extraordinary results include write-offs of fixed assets for Euros 15.8 million.

_07 Net income before minorities and net Income

Net income before minorities reached Euros 638.2 million, an increase of 42% from last year. The tax rate for the year is 28% versus 27% in 2003.

The increase in minorities is mainly due to the higher net income in manufacturing companies and Stradivarius and the income attributed to Zara Japan's minorities, as this company is now fully consolidated.

Net income amounts to Euros 628.1 million, an increase of 41% over 2003.

Dividend proposal

Inditex's Board of Directors will propose to the General Shareholders Meeting an ordinary dividend of Euros 187 million (Euros 30 cents per share) and a bonus dividend of Euros 112 million (Euros 18 cents per share). Total dividend would amount to Euros 299 million (Euros 48 cents per share), 37% higher than the previous year.

Return on Equity (ROE)

The table below shows the detail and changes in Return on Equity, calculated as net income divided by average Shareholders' equity.

Description	2004	2003	2002	2001	2000	1999	1998	1997
Net income	628.1	446.5	438.1	340.4	259.2	204.8	153.1	117.4
Shareholders' equity - previous year	2,105.9	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9	414.9
Shareholders' equity - current year	2,502.7	2,105.9	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9
Average equity	2,304.3	1,933.6	1,623.5	1,328.5	1,032.0	783.3	601.6	472.4
Return on equity	**27%**	**23%**	**27%**	**26%**	**25%**	**26%**	**25%**	**25%**

Return on Capital Employed (ROCE)

The table below shows a detail of Return on Capital Employed, calculated as operating income (EBIT) divided by average capital employed (Shareholders' equity plus net financial debt).

Description	2004	2003	2002	2001	2000	1999	1998	1997
EBIT	**925.2**	**627.0**	**659.5**	**517.5**	**379.9**	**296.2**	**241.5**	**191.5**
Average capital employed:								
Average shareholders' equity	2,304. 3	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	0.0	100.3	121.5	73.1	72.1
Total average capital employed	**2,304.3**	**1,933.6**	**1,623.7**	**1,328.5**	**1,132.3**	**904.8**	**674.7**	**544.5**
Return on capital employed	**40%**	**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:

Concept	2004	2003
Zara (*)	38%	33%
Kiddy's Class	61%	80%
Pull and Bear	44%	16%
Massimo Dutti	50%	56%
Bershka	52%	46%
Stradivarius (*)	43%	5%
Oysho	52%	7%
Zara Home	2%	–
Total	**40%**	**32%**

(*) Before goodwill amortisation

07_3 Comments on the balance sheet

Inditex consolidated balance sheet has a similar structure to that of the previous year, without net financial debt and with negative working capital, a consequence of the business model.

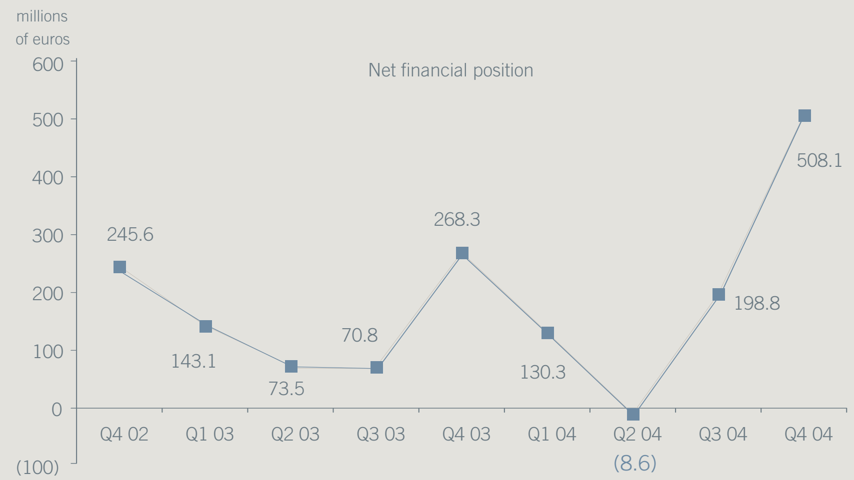
Net financial position

The net financial position is shown in the table below:

millions of euros

Description	31 January 2005	31 January 2004
Cash & cash equivalents	773.3	496.4
Long term financial deposits	0.0	6.5
Long term financial debt	(107.3)	(156.6)
Short term financial debt	(160.7)	(81.5)
Deferred financial expenses	2.8	3.5
Net financial cash (debt)	**508.1**	**268.3**

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



Working capital

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

	millions of euros	
Description	31 January 2005	31 January 2004
Inventories	514.0	486.4
Receivables	282.5	328.9
Accruals	12.3	9.3
Trade and other non-trade payable	(1,208.1)	(1,011.2)
Operating working capital	**(399.3)**	**(186.6)**
Cash & cash equivalents	773.3	496.4
Short term financial debt	(160.7)	(81.5)
Financial working capital	**612.5**	**414.9**
Total working capital	**213.2**	**228.2**

Working capital financing has increased by 114% to Euros 399.3 million (Euros 186.6 million in 2003). The figure for 2003 was influenced by temporary non-trading factors.

07_4 Comments on the cash flow statement

The summary of the cash flow statement is as follows:

	FY 2004	FY 2003	Var % 04/03
Net income	628.1	446.5	41%
Funds from operations	1,015.3	722.0	41%
Changes in working capital	212.9	3.9	
Cash from operations	**1,228.2**	**725.9**	**69%**
Net capital expenditure	(741.7)	(628.4)	18%
Free Cash flow	**486.5**	**97.5**	**399%**
Dividends	(220.2)	(89.3)	
Net debt decrease	(266.7)	(15.6)	
Others	0.5	7.4	

Funds from operations increased 41% in 2004, reaching Euros 1,015.3 million. Working capital financing has allowed a 69% increase in cash from operations up to Euros 1,228.2 million.

Capital expenditure for the year was Euros 741.7 million. This includes the acquisition of additional interests to gain majority positions in the Zara joint ventures in Japan and Italy and the acquisition of the Massimo Dutti franchised operations in Mexico.

Free cash flow increased by 404% to Euros 486.5 million. Dividend of Euros 220.2 million was paid to shareholders.

07_5 Start of year 2005

During the first eight weeks of the 2005 Spring-Summer season, sales growth is in accordance with the Group management's expectations.

The store openings plan for 2005 is the following:

FY 2005 Openings forecast

Concept	Range	% International	Total 2004
Zara	100 - 110	85%	97
Kiddy's Class	20 - 25	10%	26
Pull & Bear	35 - 45	40%	21
Massimo Dutti	30 - 40	55%	29
Bershka	40 - 45	60%	49
Stradivarius	25 - 30	30%	36
Oysho	20 - 30	40%	28
Zara Home	30 - 35	30%	36
Total net openings	**300-360**		**322**

Approximately 70% of the openings have been secured by signed contracts but in some cases it is not possible to guarantee that the opening will take place in 2005.

The Group expects the volume of international sales to grow more than domestic sales as it has been the case in the last years.

Expected CAPEX in 2005 is between Euros 700 million and Euros 800 million. The opening of new stores and the refurbishment of existing stores will represent the majority of the CAPEX.

07_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

No operations have been carried out by Group companies with shares of the Controlling Company in 2004.

07_7 Annexes

ANNEX I

Income statement: quarterly results

	2004				2003				Var % 04/ 03			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	1,203.2	1,202.6	1,555.3	1,709.3	979.4	999.9	1,220.6	1,399.0	23%	20%	27%	22%
Cost of sales	(577.5)	(576.3)	(689.1)	(793.2)	(480.1)	(509.9)	(582.8)	(720.1)	20%	13%	18%	10%
Gross profit	**625.6**	**626.3**	**866.2**	**916.1**	**499.3**	**490.0**	**637.8**	**678.9**	**25%**	**28%**	**36%**	**35%**
Gross margin	52.00%	52.08%	55.70%	53.59%	50.98%	49.00%	52.2%	48.5%				
Operating expenses	(401.7)	(420.1)	(470.9)	(501.9)	(319.9)	(333.9)	(372.7)	(406.0)	26%	26%	26%	24%
	33.4%	34.9%	30.3%	29.4%	32.7%	33.4%	30.5%	29.0%				
Operating Cash flow (EBITDA)	**223.9**	**206.2**	**395.4**	**414.2**	**179.4**	**156.1**	**265.0**	**272.9**	**25%**	**32%**	**49%**	**52%**
EBITDA margin	18.6%	17.1%	25.4%	24.2%	18.3%	15.6%	21.7%	19.5%				
Fixed assets depreciation	(60.8)	(65.0)	(70.6)	(80.0)	(48.5)	(52.4)	(56.5)	(63.8)	25%	24%	25%	25%
Godwill amortisation	(2.3)	(3.0)	(4.1)	(3.4)	(2.3)	(2.4)	(2.3)	(2.3)				
Provisions	(5.4)	(7.0)	(3.1)	(9.6)	(4.3)	(1.9)	(2.6)	(7.1)				
Operating income (EBIT)	**155.3**	**131.2**	**317.5**	**321.2**	**124.3**	**99.4**	**203.6**	**199.7**	**25%**	**32%**	**56%**	**61%**
EBIT margin	12.9%	10.9%	20.4%	18.8%	12.7%	9.9%	16.7%	14.3%				
Net financial expenses	(8.6)	(1.8)	(6.2)	(6.0)	1.2	(3.2)	(3.9)	(2.0)				
Ordinary income	**146.8**	**129.4**	**311.3**	**315.2**	**125.5**	**96.2**	**199.7**	**197.7**	**17%**	**35%**	**56%**	**59%**
Ordinary margin	12.2%	10.8%	20.0%	18.4%	12.8%	9.6%	16.4%	14.1%				
Extreordinary income (loss)	(1.5)	(0.4)	(11.6)	(3.0)	(5.0)	(8.0)	(7.0)	14.2				
Income before taxes	**145.2**	**129.0**	**299.7**	**312.2**	**120.5**	**88.2**	**192.8**	**211.9**	**20%**	**46%**	**55%**	**47%**
Margin before texes	12.1%	10.7%	19.3%	18.3%	12.3%	8.8%	15.8%	15.1%				
Taxes	(42.8)	(39.4)	(84.2)	(81.5)	(36.2)	(24.4)	(51.9)	(52.4)				
Net income before minorities	**102.4**	**89.6**	**215.5**	**230.7**	**84.4**	**63.8**	**140.9**	**159.6**	**21%**	**40%**	**53%**	**45%**
Minorities	(3.9)	(0.1)	(6.5)	0.4	(2.3)	0.2	(2.3)	2.3				
Net income	**98.5**	**89.5**	**209.0**	**231.1**	**82.1**	**64.0**	**138.6**	**161.8**	**20%**	**40%**	**51%**	**43%**
Neto income margin	8.2%	7.4%	13.4%	13.5%	8.4%	6.4%	11.4%	11.6%				

ANNEX II

Summary of net openings and net stores opened by quarter in 2004 and 2003

Number of net store openings in each quarter

Concept	1Q 2004	2Q 2004	3Q 2004	4Q 2004	Total 2004	1Q 2003	2Q 2003	3Q 2003	4Q 2003	Total 2003
Zara	15	12	42	28	**97**	19	11	32	33	**95**
Kiddy's Class	7	6	8	5	**26**	11	6	18	9	**44**
Pull & Bear	5	0	13	3	**21**	18	8	18	10	**54**
Massimo Dutti	7	3	16	3	**29**	9	8	20	10	**47**
Bershka	7	12	15	15	**49**	15	13	11	17	**56**
Stradivarius	8	8	9	11	**36**	8	12	8	10	**38**
Oysho	4	6	12	6	**28**	(4)	3	0	5	**4**
Zara Home	8	7	11	10	**36**	0	0	16	10	**26**
Total	**61**	**54**	**126**	**81**	**322**	**76**	**61**	**123**	**104**	**364**

Number of stores by the end of each quarter

Concept	1Q 2004	2Q 2004	3Q 2004	4Q 2004	1Q 2003	2Q 2003	3Q 2003	4Q 2003
Zara	641	653	695	**723**	550	561	593	**626**
Kiddy's Class	110	116	124	**129**	70	76	94	**103**
Pull & Bear	355	355	368	**371**	314	322	340	**350**
Massimo Dutti	304	307	323	**326**	259	267	287	**297**
Bershka	260	272	287	**302**	212	225	236	**253**
Stradivarius	199	207	216	**227**	161	173	181	**191**
Oysho	80	86	98	**104**	68	71	71	**76**
Zara Home	34	41	52	**62**	0	0	16	**26**
Total stores	**1,983**	**2,037**	**2,163**	**2,244**	**1,634**	**1,695**	**1,818**	**1,922**

ANNEX III

Stores by concept and country as at 31 January 2005

	Z	KC	PB	MD	BSK	STR	OYS	ZH	TOTAL
Andorra	1		1	1					3
Austria	6								6
Belgium	17			16	6				39
Cyprus	3		2	1	2	2			10
Czech Republic	2								2
Denmark	4								4
Estonia	1								1
Finland	3								3
France	83			7	11	1			102
Germany	33			3					36
Greece	30		8	5	11		2	1	57
Holland	5			1	3			1	10
Hungary	2								2
Irleland	2		6						8
Island	1								1
Italy	23			2	7		5		37
Letvia	1								1
Lithuania	1								1
Luxembourg	2			1					3
Malta	1		4						5
Norway				1					1
Poland	7								7
Portugal	40	15	49	39	27	21	11	4	206
Romania	1		1						2
Russia	3		1						4
Slovakia			1						1
Slovenia	2								2
Spain	241	114	257	202	194	188	71	54	1,321
Sweden	2			3					5
Switzerland	6			3	1				10
Turkey	11			1					12
UK	33			6	1			1	41
Europe	**567**	**129**	**330**	**292**	**263**	**212**	**89**	**61**	**1,943**

	Z	KC	PB	MD	BSK	STR	OYS	ZH	TOTAL
Arab Emirates	4		3	4	3	2			16
Bahrain	1		1	1					3
Israel	13		12						25
Jordan	1		1	1		2			5
Kuwait	4		3	1		2	1		11
Lebannon	2		1	2	2				7
Morocco	1					1			2
Qatar	1		1	1		1			4
Saudi Arabia	13			5		7	1		26
Middle East and Africa	**40**		**22**	**15**	**5**	**15**	**2**		**99**

	Z	KC	PB	MD	BSK	STR	OYS	ZH	TOTAL
Argentina	5								5
Brazil	13								13
Canada	12								12
Chile	5								5
Dominican Republic	1								1
El Salvador	1								1
Mexico	34		13	17	26		12	1	103
Panama	1								1
Uruguay	2								2
Venezuela	8		6	2	8		1		25
United States	15								15
America	**97**		**19**	**19**	**34**		**13**	**1**	**183**

	Z	KC	PB	MD	BSK	STR	OYS	ZH	TOTAL
Hong Kong	1								1
Japan	12								12
Malasya	3								3
Singapore	3								3
Asia-Pacific Region	**19**								**19**

Z Zara I **KC** Kiddy's Class I **PB** Pull & Bear I **MD** Massimo Dutti I **BSK** Bershka I **STR** Stradivarius I **OYS** Oysho I **ZH** Zara Home

ANNEX IV

Eight-year financial summary

Description	2004	2003	2002	2001	2000	1999	1998	1997	1996	CAGR 04/96
P&L:										
Net Sales	**5,670.4**	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%	*23%*	*16%*	*22%*	*24%*	*28%*	*26%*	*33%*	*21%*		
EBITDA	**1,239.7**	873.5	868.1	704.5	521.5	410.4	325.7	253.6	202.1	**25%**
YoY%	*42%*	*1%*	*23%*	*35%*	*27%*	*26%*	*28%*	*25%*		
EBIT	**925.2**	627.0	659.5	517.5	379.9	296.2	241.5	192.6	150.3	**26%**
YoY%	*48%*	*-5%*	*27%*	*36%*	*28%*	*23%*	*25%*	*28%*		
Net Income	**628.1**	446.5	438.1	340.4	259.2	204.7	153.1	117.4	72.7	**31%**
YoY%	*41%*	*2%*	*29%*	*31%*	*27%*	*34%*	*30%*	*61%*		
Balance Sheet:										
Shareholders' equity	**2,502.7**	2,105.9	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9	414.9	**25%**
YoY%	*19%*	*20%*	*19%*	*27%*	*31%*	*33%*	*27%*	*28%*		
Total balance sheet	**4,209.2**	3,510.4	3,013.8	2,588.6	2,107.6	1,772.9	1,326.3	977.2	820.3	**23%**
YoY%	*20%*	*16%*	*16%*	*23%*	*19%*	*34%*	*36%*	*19%*		
Net financial position	**508.1**	268.3	245.6	57.5	(50.6)	(149.9)	(93.0)	(38.3)	(105.8)	
Stores:										
Number of stores at FY-end	**2,244**	1,922	1,558	1,284	1,080	922	748	622	541	
Net openings	**322**	364	274	204	158	174	126	81	33	
Number of countries with stores	**56**	48	44	39	33	30	21	14	10	
Other information:										
% International sales	**55%**	54%	54%	54%	52%	49%	46%	42%	36%	
LFL	**9%**	1%	11%	9%	9%	5%	11%	7%	4%	
ROE	**27%**	23%	27%	26%	25%	26%	25%	25%	20%	
ROCE	**40%**	32%	41%	39%	34%	33%	36%	35%	29%	
Number of employees	**47,046**	39,760	32,535	26,724	24,004	18,200	15,576	10,891	8,412	

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