Economic and Financial Performance

ANNUAL REPORT 2005

INDITEX

Economic and Financial Performance

1

Chronology of the Year


ZARA HOME
03.11.05


03.19.05
Kiddy's Class


02.24.05


03.11.05
Bershka


04.15.05
Bershka


03.03.05


05.09.05

02.01.05
Bershka opens at Mahon Point, a new shopping area in Cork, its first shop in Ireland. This shop will be followed by three further shops of the chain in Ireland during 2005.

02.24.05
Zara opens at Third Street Promenade, an important shopping area in the coastal town of Santa Mónica (California), its first shop in the metropolitan area of Los Angeles.

02.27.05
Zara Home begins its commercial presence on Cyprus with a first opening in Nicosia. The shop is opening in the interior of a Zara establishment in Leoforos Archiepiskopou Makariou III Avenue.

02.28.05
A study published by the National Commission of the Securities Market, the organisation responsible for regulating the Spanish stock exchange, emphasises that Inditex is the company which best transmits information to this body. Moreover, the study also names the Inditex annual report and the corporate web page among the best.

03.03.05
Massimo Dutti opens its first shop in Ireland in the Dundrum Shopping Centre in Dublin. Together with this chain, Zara, Pull and Bear and Bershka are also opening.

03.04.05
Inditex is the company with the second best reputation in Spain – the first among quoted companies – and Amancio Ortega is considered to be the best business leader for the third consecutive year. These results are taken from the Spanish Corporate Reputation Monitor –MERCO-, which is in its fifth edition in 2005.

03.11.05
Bershka opens to the public at 221 Oxford St., the main shopping street in London, its first shop in the capital of the United Kingdom. The shop is the flagship of the chain in the British market.

03.11.05
Zara Home opens it first shop devoted exclusively to children. Zara Home Kids, in A Coruña.

03.18.05
The Inditex Group and PT Mitra Adiperkasa TBK (MAP), one of the leading retailers in Indonesia, have come to an agreement to open up the first Zara shops in the country in 2005. Zara had two shops in excellent positions in Jakarta at the end of the year.

03.19.05
Kiddy's Class, the chain specialising in children's fashion, has opened up a shop at Barcelona airport, a first step in reinforcing the international image of the brand.

04.13.05
Bershka and Zara open up shops in the Dhahran Shopping City in Saudi Arabia and Inditex reaches the number of 30 shops in this market. The Bershka shop is the first one of the chain in the country.

04.14.05
Bershka opens its first shop in Malta, in the Avenida Bisazza de Sliema.

04.15.05
Massimo Dutti opens two outstanding shops to the public in the cities of The new shops are located in two excellent locations in the most commercial streets of the cities: Neuer Wall, the street on which the most exclusive fashion boutiques are located in Hamburg and in Ermou, the most important shopping street in the Greek capital.

04.15.05
Inditex has come to an agreement to buy 51% of Zara in Poland and to take on a minimum stake of 80% in 2008. On 31st January, 2006, Zara had eleven shops in Poland and Bershka had begun its activity in the country with the opening of its first shop.

04.22.05
The Bershka chain has opened up a new shop in Holland located on Kalverstraat –the shopping street par excellence of the Dutch capital-. The new shop is the second that Bershka has opened in Amsterdam and the fourth in the country, where it also has outlets in The Hague and Maastricht.

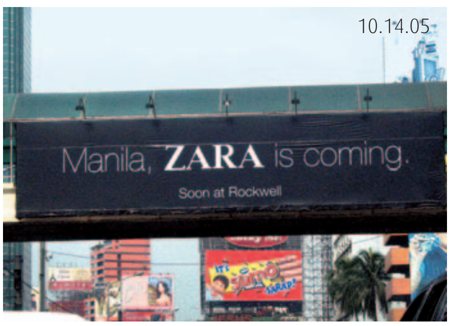
05.09.05
Zara opens up its first shop in Costa Rica, initiating the operations of Inditex in this Central American country. The opening of Zara in Costa Rica has been undertaken in collaboration with the Simán Group, a Salvadorian distribution company, which is also the Zara franchisee in El Salvador.

05.15.05
This is the 30th anniversary of the opening of the first Zara shop, in Calle Juan Flórez in A Coruña.

09.01.05

06.16.05

10.31.05



10.14.05

09.05.05

06.13.05
The Inditex Board has designated **Pablo Isla Álvarez de Tejera as the new Managing Director of Inditex.** Pablo Isla is a graduate in law and public prosecutor. He has been the Chairman of the Board at Altadis and vice-Chairman of the same group. He was Secretary General and manager of the Legal Services of Banco Popular and General Manager of Government Property at the Ministry of the Economy and the Revenue.

06.16.05
The Assago Shopping Centre, in Milán, is the place that has been chosen for the opening of the first shops of Pull and Bear and Zara Home in Italy. **The expansion of Inditex into Italy is a priority for the Group. Since the first shop was opened in 2003, Inditex has increased its presence until it finished 2005 with 74 outlets.**

06.29.05
The Burjuman Shopping Centre, in Dubai, is the setting for the opening of the first Zara Home shop in the United Arab Emirates.

07.15.05
Inditex presents a three-year logistical investement plan for the period 2005-2007. The planned total is about 250 million euros, and includes investments in all existing centres and the creation of new centres in Madrid and Leon to attend to the expansion of the different commercial formats.

08.11.05
Zara's second new shop this year in the United States occupies a significant position in Union Square, at 250 Post Street, San Francisco. The shop has three floors and 3,000 m2 of sales space in one of the best shopping areas in the city.

08.29.05
Zara opens up a superb shop in the old Convento de San Antonio El Real in the centre of Salamanca. This is the largest investment ever made by Inditex. The restoration work and the integration of the original architecture with the contemporary architectural and decorative elements designed especially for this shop have required an intense effort on the part of the Zara shops design teams.

09.01.05
Zara Home opens its first shop in Belgium in Meir, the main shopping street in Antwerp.

09.05.05
Stradivarius adds the Lebanon to the list of countries where it has shops, with the opening of its first in Beirut.

09.14.05
Zara Home opens up its first shop in Andorra at number 87 in Avenida Meritxel, a main shopping street in which Zara, Pull and Bear and Massimo Dutti also have their shops.

09.28.05
Oysho opens up its first shop in the Lebanon in Beirut.

10.12.05
Stradivarius opens its first shop in Russia, in the Manez shopping area in Moscow. This will be followed by a second shop also in Moscow, in the Atrium shopping centre.

10.14.05
The first shop of the Zara chain in the Phillipines opens its doors to the public in the capital, Manilla. The shop, with a sales area of over 1,500 m2, is located in Power Plant - Rockwell, one of the most important shopping areas in this Asiatic country.

10.15.05
Pull and Bear, Bershka, Stradivarius, Oysho and Zara Home open up their first shops in Turkey in the Cevahir shopping centre, in Istanbul. This newly-developed shopping centre is the largest in Europe and one of the largest in the world. Inditex will have twenty-one shops in Turkey at the end of 2005.

10.17.05
Inditex is joining Ethical Trading Initiative (ETI), an organisation which brings together international distribution companies, large suppliers, trade unions and NGOs, and which aims to improve the living conditions of the workers in the supplying companies.

10.19.05
The Mediterranean Cosmos shopping centre, in Thessaloniki, is the location for Stradivarius' first shop in Greece. Together with this chain, Zara, Pull and Bear, Massimo Dutti, Bershka, Oysho and Zara Home are opening too. On 31st January, 2006, Inditex had eighty-four shops in Greece.

10.24.05
Oysho has opened up its first shop in the United Arab Emirates, where Inditex had twenty-four outlets at the end of the year, in Dubai.

10.26.05
Zara Home opens its first shops in Saudi Arabia: two shopping centres, in Dhahran and Jeddah, are the settings selected for the launch of the home-textiles chain in the country.

10.31.05
Pull and Bear opens up its first shop in France at the Evry II shopping centre in Paris. The French market is one of the main aims of the expansion of Inditex. At the end of 2005, the Group had 123 shops in France, belonging to the Zara, Pull and Bear, Bershka, Massimo Dutti and Stradivarius chains.


06.13.05

11.23.05


11.28.05

12.14.05

01.31.06

11.03.05
The Inditex Professorship is being inaugurated at the University of La Coruña for the promotion and dissemination of Corporate Social Responsibility in the academic sphere.

11.07.05
Opening of the first Zara Home shop in Kuwait: the new outlet is located in the Marina Mall shopping centre, in Kuwait City, where Zara, Pull and Bear and Massimo Dutti also have shops.

11.09.05
Bershka and Pull and Bear are opening their first shops in the Czech Republic. The new outlets are located in the Chodov shopping centre in Prague, where Zara is opening its third shop in the country.

11.17.05
The daily Financial Times and the consultant, Price Waterhouse Coopers, have presented a new edition of the 'World's Most Respected Companies'. Inditex's reputation has advanced to such an extent that it is now the world's most admired Spanish company. In the list, Inditex's third position among distribution companies, after Wal Mart and Tesco, neither of which is specialised, is also significant. Inditex is therefore the most appreciated fashion company in the world.

11.23.05
Zara opens its first shop in the Principality of Monaco, in the most exclusive shopping area in Montecarlo, hardly one hundred metres from the Casino. A spectacular sixty-metre-long shop-window onto the Place de Beaumarchais shows off the presence of its fashion options in one of Europe's most select settings. With this opening, Inditex has achieved a commercial presence in sixty countries in Europe, America, the Asia-Pacific Region, the Middle East and North Africa.

11.28.05
Zara is culminating the architectural recovery work carried out on the old Cine Capitolio building, in Calle Trinquet in Elche, with the opening of a superb new shop. The project to refurbish the building has involved a great effort on the part of Zara's architectural team as well as a significant investment and twelve months' work.

12.04.05
Interbrand gives Zara the Best Global Brands prize. Zara took its place in the list drawn up by Interbrand among the most appreciated one hundred brands at the world level. In the consultant's opinion, the brand value of Zara is 3,076 million dollars.

12.14.05
Inditex raises to 100% its ownership of Zara Japan, the subsidiary that carries out its operations in the Japanese market. With this purchase, the Group is reinforcing its position in this Asiatic market, in which it opened its first shop in 1998. On 31st January, 2006, Zara had eighteen shops in such cities as Tokyo, Osaka, Fukuoka, Yokohama, Nagoya, Kyoto, Hiroshima and Sapporo.

12.22.05
Inditex purchases the land for the installation of a new logistical centre in Leon. Inditex has signed, with SEPES, the Entidad Pública Empresarial de Suelo, an agreement to purchase two plots on the Onzonilla Industrial Estate, in Leon, which will be devoted to the installation in this locality of a new logistical platform, which, at over 40,000 square metres will require an investment of 15 million euros.

01.02.06
The Instituto Cervantes and the Inditex Group have signed a cooperation agreement under which the professionals of the Inditex Group, over 55,000 worldwide, may use the Instituto Cervantes centres abroad, or their associated centres, to learn Spanish.

01.15.06
In order to be able to attend to the needs derived from its growth, Oysho is transferring to new facilities in Tordera. The 16,500 m2 premises house the central headquarters of the chain and its logistical centre.

01.25.06
Massimo Dutti is opening its first shops in Thailand and Singapore and is thus the first chain apart from Zara with a commercial presence in the Asia Pacific region. Furthermore, Thailand is a new market for Inditex.

01.31.06
Inditex has reached an agreement with the Stockmann distribution group to purchase the Zara Russia company. Zara had at that time six shops in Russia, all of them in the area of Moscow, to which it intends to add another seven during 2006. The expansion will continue, both in Moscow and in the rest of Russia, a market which has a high growth potential.


ZARA

2 The Customer, the Focus of Inditex's Activities

The Inditex model is built around the customer. Each of the elements comprising the company’s value chain, from designing collections to its logistics capacity, make sense only on this basis

THE CUSTOMER, AN ESSENTIAL REFERENCE FOR THE INDITEX MODEL

The customer is the focus of Inditex's activities, and it is only through the customer that the company's business model - from design to sales, through manufacture and logistics - can be explained and defined. This approach sets the Group apart and directs its growth.

In order to be able to respond adequately to consumer's real demands, Inditex proposed a profound transformation of the business organisation from the beginning. In contrast with the horizontally organised model in which each stage was followed by the next and the customer was no more than the end recipient of a commercial offering, Inditex proposed an integrated model with the customer as the main source of information for decision-making in every area.

In this integrated model, the designers work dynamically, partly based on analyses of customers' reactions to the fashion on offer in the stores. Of course, their suggestions, opinions and specific demands regarding the products they would like to find in them are also taken into account. Production is organised as a function of the pace set by the commercial department, which manages the information from the stores. In view of the importance of the time factor for the market response to be truly effective, the concept of production in proximity becomes quite important. Finally, the logistics operation is at the store's service. The stores self-regulate the flow of products constantly supplied by the logistics centres.

The store thus becomes the centre of the whole operation, since this is where customer contact takes place. This is why the Inditex Group makes such a great effort to ensure both that it has the best locations and that its designs and image - — window dressing, interior design and coordination -— provide an environment which will make the purchase experience enjoyable.

2.1 THE CUSTOMER, AT THE HEART OF INDITEX

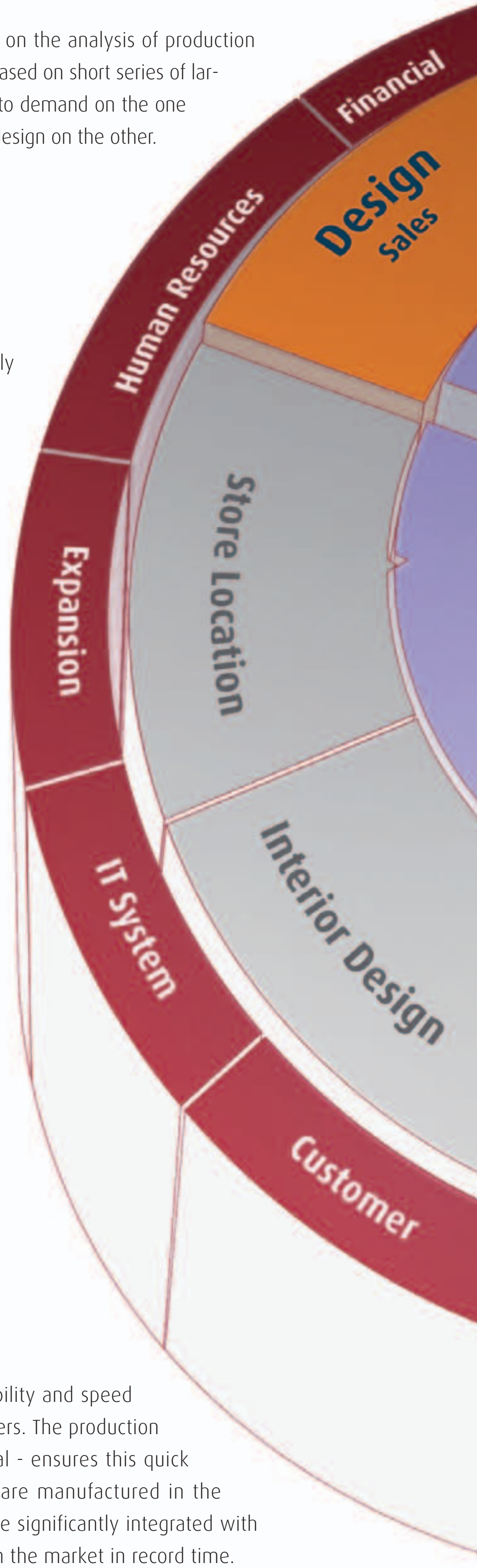
The customer's reality influences fundam

a) Commercial decision-making

The configuration of our collections is not based primarily on the analysis of production costs, volume or sales for a specific design. Our offering is based on short series of large numbers of references, allowing us to constantly adapt to demand on the one hand, while avoiding saturating the market with a specific design on the other. Decisions are ultimately based on the customers' interests.

b) Product Design

Inditex's stores contain a broad and constantly changing variety of designs. This fashion offering reflects what customers want. In order to achieve this, our designers work closely with our sales teams, and our sales teams are in close contact with our store teams. This way, collections are constantly changing in accordance with the information received from the market.



c) Choice of locations

The logic underlying the location of our stores is also focused on our customers, both from an urban mobility point of view and from the perspective of our cities' aesthetic appearance. The locations chosen for Inditex Group stores are always central, visible and easily accessible. These criteria turn our stores into an outstanding element of cities' commercial layout. At the same time, Inditex has placed great emphasis on the recovery of remarkable buildings, combining its commercial activities with improving the beauty of city centres and conserving heritage, two aspects which are highly valued by our customers.

d) Supply and Production Organisation

The Inditex supply structure is designed for greater flexibility and speed in the manufacture of the products demanded by customers. The production in proximity concept - which represents 50% of the total - ensures this quick response. Products with a greater fashion component are manufactured in the Group's own factories or by suppliers whose processes are significantly integrated with the Group's dynamics. This enables us to place a design in the market in record time.

e) Logistics Management

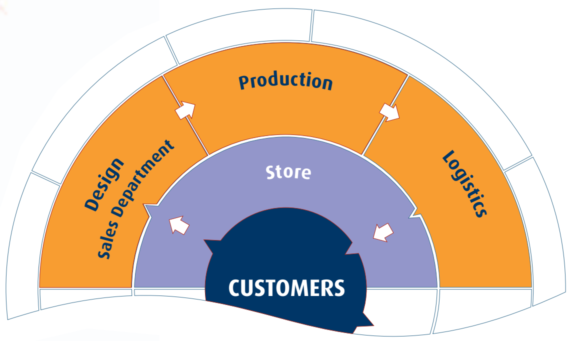
In contrast with traditional logistics models in which the flow of products to distribution points is determined by a central sales department, Inditex logistics centres are at the stores' service or, to put it another way, at the service of the customers' demands. At Inditex, logistic efficiency is measured on the basis of the effectiveness of our immediate response to the needs of each store.

f) Image Management

In the customer relation model practised by Inditex, communication with customers takes place almost exclusively through the stores themselves. The absence of advertising tools is due to the fact that Inditex does not aim to encourage purchases of a particular item but rather tries to interpret the customers' wishes. In this model, brand image is linked to store image, since the stores are the space in which customers and fashion meet. Inditex's only advertising campaign is its shop windows, whose function is to transmit to the outside world the constantly changing selection of products available inside.

g) Store Design

The store's internal structure, layout and interior design are designed to enable direct and unrestricted contact between the customer and the product. At the same time, the store must provide a comfortable environment which will make the purchase experience enjoyable.



Product
Marketing
Corporate Areas

2.2 THE CUSTOMER CARE MODEL

Customer care number:

900 400 323

The customer care model used in Inditex stores is based on establishing an open and direct relationship. Anyone with an interest in our fashion range who visits the stores of any of our formats can have free contact with the product. Potential customers come into contact with fashion in an open, barrier-free environment.

The main aim of the personal in-store service is to satisfy the customer, regardless of whether he or she has bought any of our products. At the Inditex Group, we consider the in-store experience to be the focus of our activity. Store employees receive full training with particular emphasis on customer service. Store managers are in charge of leading their sales team as representatives of the company's values, reputation and image. Comfort and free choice for the customer are the fundamental principles of our activity. Customers can stay in the store as long as they want, while they get to know our range and enjoy direct contact with the product.

Our team is fully available at all times, but without interfering with the free choosing and buying process if assistance is not specifically requested. The store managers, backed by their teams, are responsible for quickly and efficiently meeting customer needs.

Claims, complaints or suggestions are initially dealt with by store managers and their teams. The prime objective is to provide the best solution as soon as possible without further appeals that delay or prolong the procedure. In any case, —if the customer deems it necessary,— he or she can always take the matter to the Customer Care Department.

INDITEX WITHDRAWS FUR CLOTHING FROM ITS STORES

On 1st January 2005, Inditex ceased to sell fur items in its stores worldwide. In a society with growing production chain humanisation awareness, this company wanted to be a pioneer in the implementation of these practices. The company had already adopted a corporate policy (in February 2002) laying down strict guidelines in this regard, and items made out of various types of fur were withdrawn from our stores in 19 countries in September 2004. Finally, rabbit fur was withdrawn in January 2005. Although the rabbits had been reared in food farms, their sacrifice did not meet the requirements of our company policy. This is why this type of fur has also disappeared from our commercial offering.

This means that Inditex only sells animal products - including leather and hides - reared in farms for food, and never from animals sacrificed solely for the purpose of selling their skin or fur.

2.3 MAIN INDICATORS

Number of customers

Group Websites:

www.inditex.com
www.zara.com
www.pullandbear.com
www.massimodutti.com
www.bershka.com
www.e-stradivarius.com
www.oysho.com
www.zarahome.com

Inditex does not monitor the number of customers who visit its stores. However, other indicators may help provide an idea of their number:

- In 2005, a total of 429 million items were sold in the group's stores.
- Inditex has its own payment method in Spain: the Affinity card. As at 31st January 2006, 639,977 customers had an Affinity card.

Degree of customer satisfaction

The ease with which products can be exchanged and returned is one of the services our customers value most highly. The volume of such transactions should therefore be interpreted not as a customer satisfaction problem but as an indicator of the success of this policy.

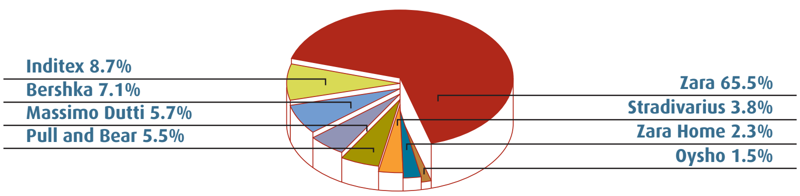
As far as complaints about the service and the products are concerned, a total of 2,762 complaint forms were submitted to the Spanish Consumer Protection authorities in 2005 (Spain accounts for 43% of the Inditex Group's turnover). This is 0.002 % of transactions carried out in Spain.

Both Inditex and the Group's formats have customer care systems, which they make available to customers through their respective *websites* (see the table). In 2005, our websites received a total of 17,570,551 hits.

In 2005, we received a total of 51,228 customer communications using the forms available on the *websites*. They all received individual answers. Out of this total, 7,337 related to various service or product-related problems. This is 0.003% of the number of transactions worldwide. All other communications received in this way were requests for information regarding our various chains' commercial activities, such as store location, new openings or requests for catalogues, or relating to corporate aspects concerning the Inditex Group.

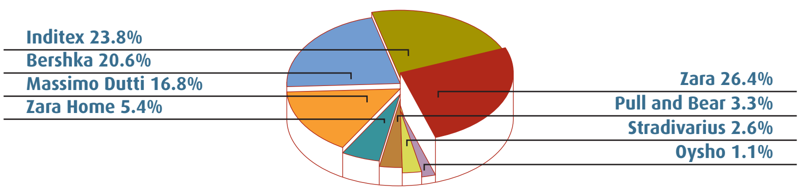
The Inditex Customer Care department for Spain, on its part, received a total of 12,803 phone calls in 2005, all of which were attended individually. The Group has in Spain a special freephone Customer Care number (900 400 323), as well as a general number for each chain's head office.

WEBSITE HITS

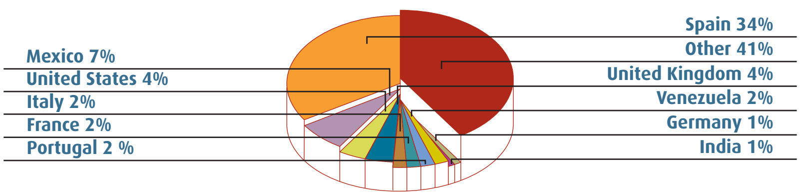


CUSTOMER QUERIES RECEIVED BY E-MAIL

A. PERCENTAGE PER CHAIN



B. PERCENTAGE PER COUNTRY OF ORIGIN



Key Data

3

The turnover for 2005 was €6,741 million, making Inditex one of the world leaders in the fashion retail industry. Its net profit rose by 26% to €803 million

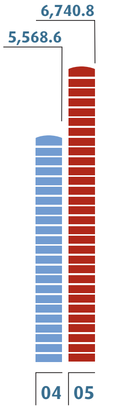
SALES GROWTH OVER 15% IN ALL FORMATS

Inditex is the fashion distribution group which owns Zara, Kiddy's Class, Pull and Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home. Its consolidated turnover for 2005 was €6,741 million, 21% more than in 2004, and its net profit was €803 million, a 26% increase, which established it as one of the world's largest companies in its sector. As at 31st January 2006, the Group owned 2,692 stores in 62 countries in Europe, America, the Asia-Pacific Region, the Middle East and North Africa.

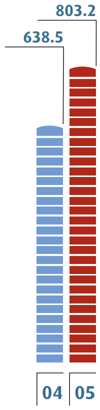
In addition to this increased activity resulting from a 5% sale increase in comparable stores (stores which have been open for more than two years) and a 22% selling area increase, its gross returns rose by 56.2% as compared with the previous year's 55.4%.

With an overall selling area increase of more than 250,000 m² in 2005 and a total of 448 new stores (the highest figure in the company's history), each of Inditex's eight formats have increased their sales by over 15%, with a particularly high increase in the Group's youngest formats. Thus, Stradivarius and Oysho saw sales increases of over 40%, and Zara Home, —which has been in the market for less than three years,— went up by over 90%. In spite of having increased its selling area by 82% in 2005, Zara Home managed to raise its return on capital employed to 3%. The global average return for other formats was 41%. At the end of a year of serious expansion focused on the main European markets, its net margin rose by 40 basis points, at 11.9% of sales, continuing the previous year's rising trend.

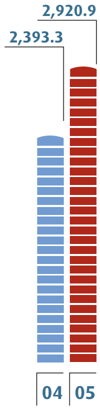
Sales:
+21%
millions of euros



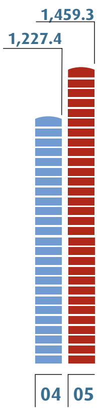
Net profit:
+26%
millions of euros



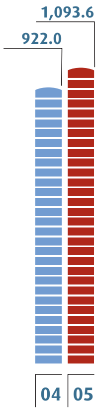
Equity:
+22%
millions of euros



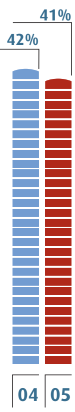
EBITDA:
+19%
millions of euros



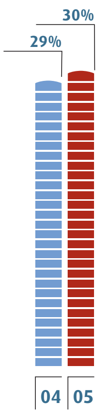
EBIT:
+19%
millions of euros



ROCE:
41%



ROE:
30%



We have only included a comparison with 2004 due to the implementation of the IFRS (International Financial Reporting Standards). A comparison with previous years in accordance with the Spanish General Accounting System can be found in the 2004 Report, available on our website: www.inditex.com

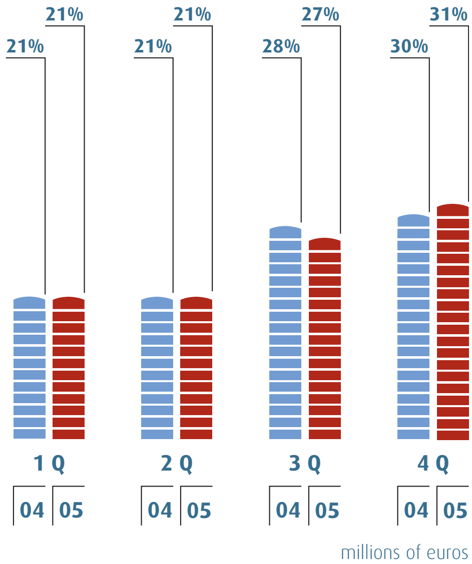
MAIN INDICATORS (millions of euros)

	2005	2004	Var 05/04
Results:			
Sales	6,740.8	5,568.6	21%
EBITDA	1,459.3	1,227.4	19%
EBIT	1,093.6	922	19%
Attributed net profit	803.2	638.5	26%
Other indicators:			
Net assets	2,920.9	2,393.3	22%
Net financial position	703.1	488.9	
Stores:			
Number of stores at year-end	2,692	2,244	
Net openings	448	322	
Number of countries with stores opened	62	57	
Other relevant information:			
% of sales in international stores	56.9%	54.5%	
Variation of like-for-like sales	5%	9%	
Return on Equity (ROE)	30%	29%	
Return on Capital Employed (ROCE)	41%	42%	
No. of employees	58,190	47,046	

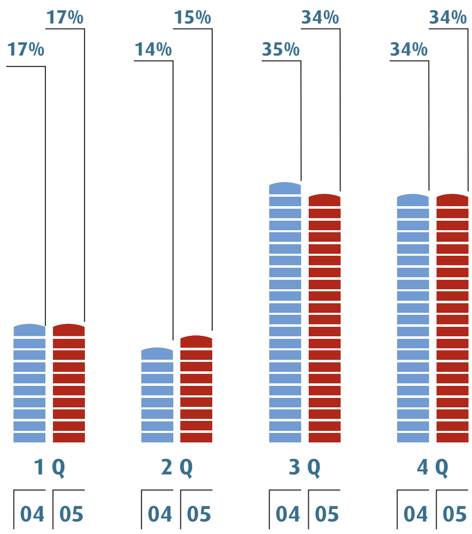
3.1 SEASONAL NATURE OF BUSINESS IN 2005

The percentage of sales and the year's profit in each quarter of the year are not uniform. The seasonal nature of sales due to the effect of climate on consumption means that a higher proportion of sales and the majority of profit are generated during the second half of the year. This second half (from 1st August to 31st January) coincides with the autumn-winter season in the Northern Hemisphere, where the vast majority of Inditex outlets are located.

SALES PER QUARTER 04 - 05



% EBIT PER QUARTER 04 - 05




ZARA
ZARA
accessories

4 International Expansion

The multiple format expansion strategy is focused on the European continent, where Inditex already had over 2,300 stores at year-end, with particular emphasis on opportunities arising in the Asia-Pacific region

INTERNATIONAL EXPANSION AND GROWTH

Of the 448 stores opened during the year, 308 are in international markets. These represent 69% of all openings for the year and are mostly in 44 countries. Of these, Inditex stores were opened for the first time in Monaco, Costa Rica, Indonesia, the Philippines and Thailand.

As a result of this expansion, sales in international stores rose to 56.9% of the total, as compared to the previous year's 54.5%. All chains increased their sales percentage outside Spain, led by Zara's 68.9%.

Europe

Most of the new stores were in European markets, which accounted for up to 82% of net openings (366 new stores). As a result, the Group passed the 2,000-store mark in Europe, with 2,309 European stores as at 31st January 2006.

The European countries (apart from Spain) with the largest number of openings were Portugal (54), Italy (37, thus doubling the number of stores it had the previous year), Greece, (27), France (21), the UK (15), Ireland (11), Germany (10) and Russia (10).

Asia-Pacific Region

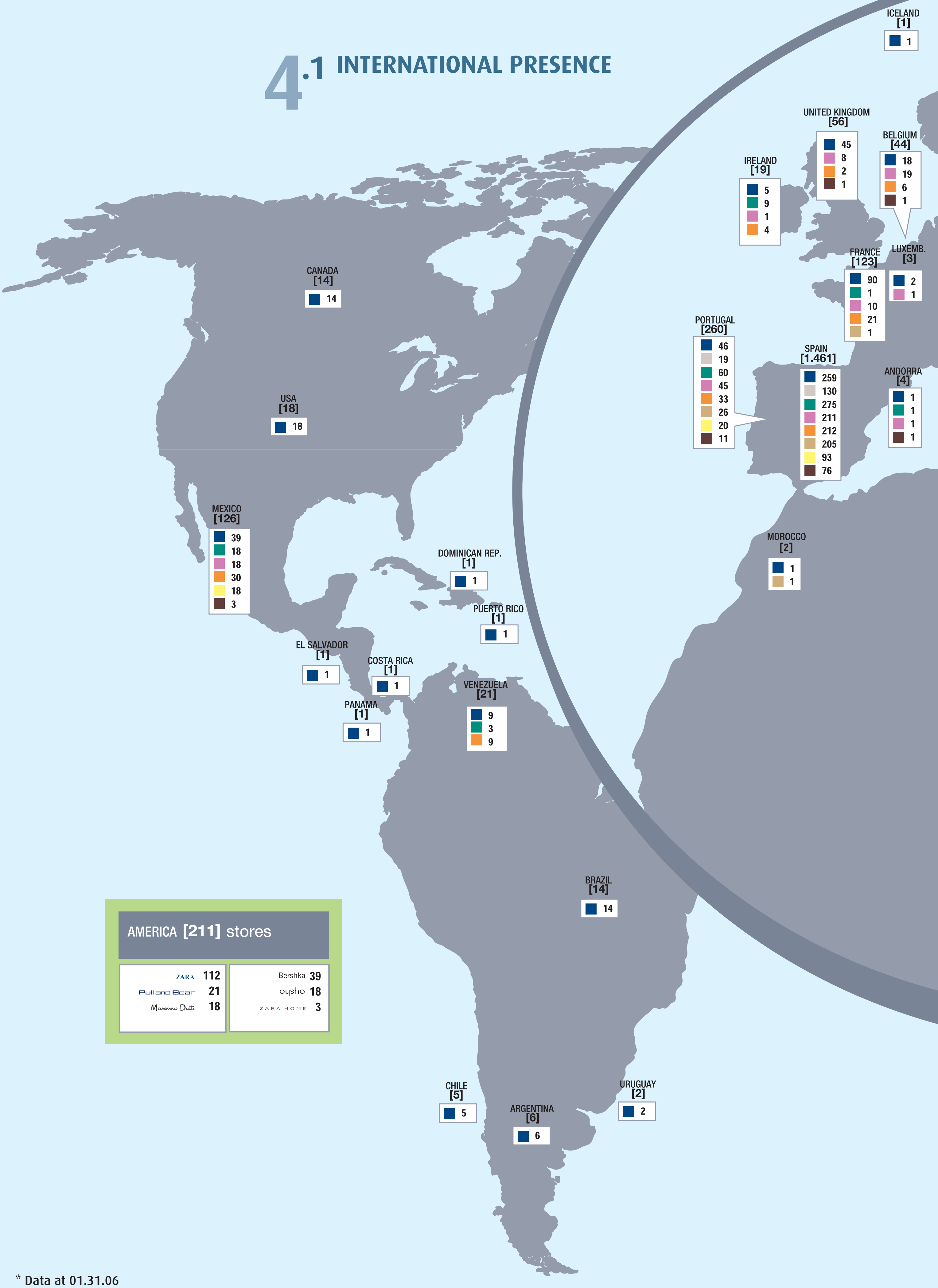
With regard to the Asia-Pacific Region, the new stores resulted in a 75% increase in Inditex selling area in that region. This reflects the Group's serious commitment to growth in these markets. The 19 Inditex stores opened at the end of 2004 had thus become 33 in January 2006. The first stores opened in Indonesia, the Philippines and Thailand were of particular significance. In 2006, this expansion has continued with our first opening in the Chinese mainland and the announcement of two more stores in China and the first Korean store.

Other Areas

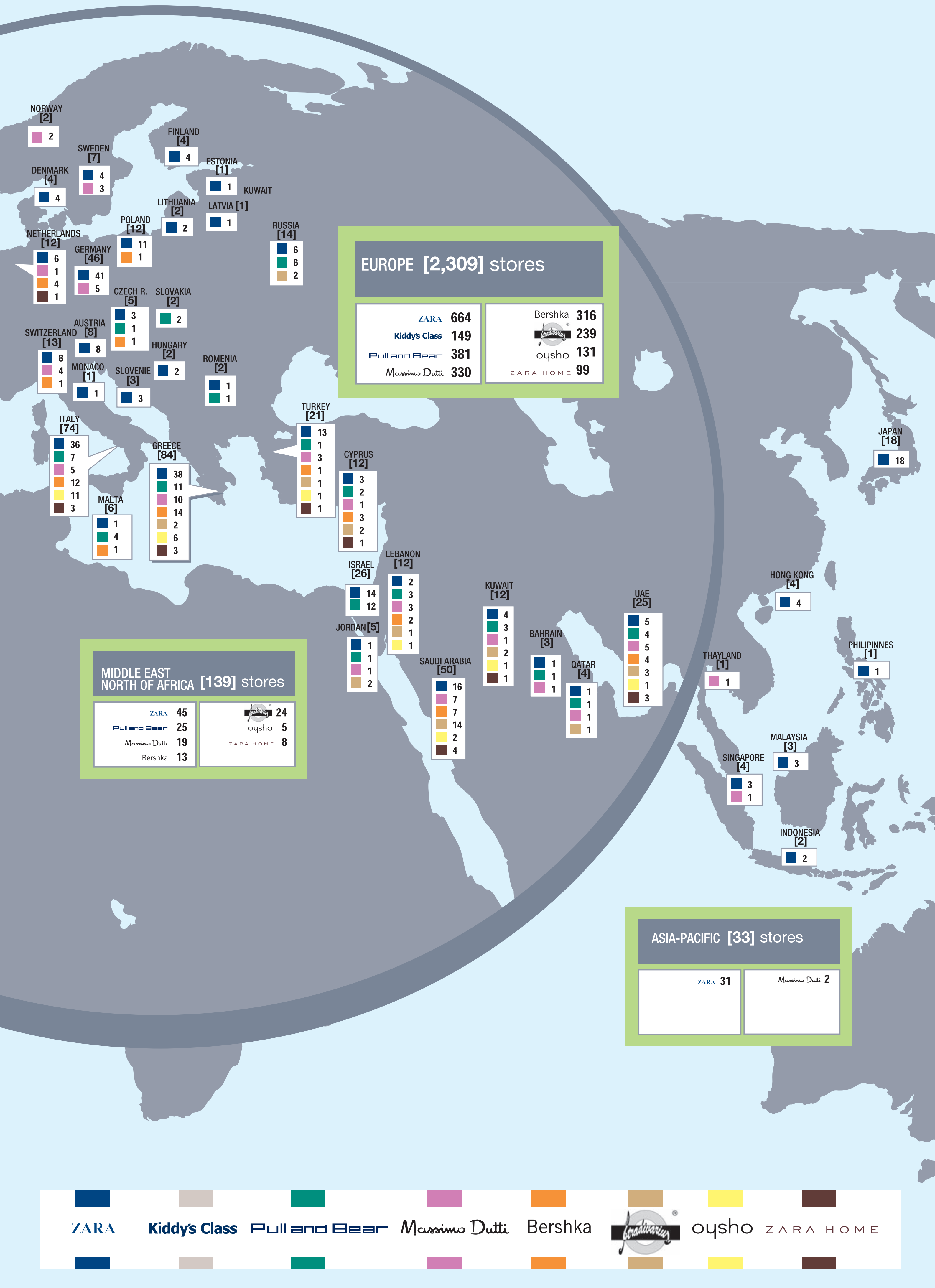
Outside the European and Asian markets, Inditex has also increased its presence in all the geographic areas in which it operates. Thus, the American continent had a total of 211 stores with 28 net openings. The company opened 40 stores in the Middle East and North Africa, adding up to 139 stores in total.

	Number of stores as at 31st January 2006	Openings in 2005
Zara	852	129
Kiddy's Class	149	20
Pull and Bear	427	56
Massimo Dutti	369	43
Bershka	368	66
Stradivarius	263	36
Oysho	154	50
Zara Home	110	48
Total	**2,692**	**448**

4.1 INTERNATIONAL PRESENCE



* Data at 01.31.06

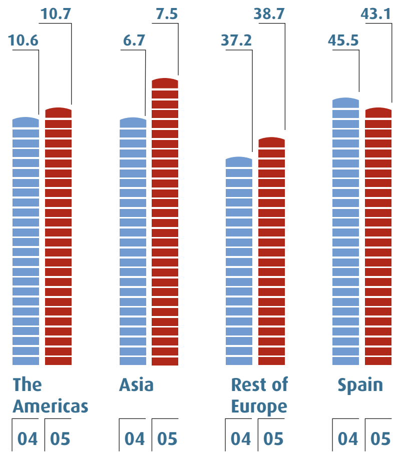


NORWAY [2] 2
FINLAND [4] 4
SWEDEN [7] 4 3
ESTONIA [1] 1
DENMARK [4] 4
KUWAIT
LITHUANIA [2] 2
LATVIA [1] 1
POLAND [12] 11 1
RUSSIA [14] 6 6 2
NETHERLANDS [12] 6 1 4 1
GERMANY [46] 41 5
CZECH R. [5] 3 1 1
SLOVAKIA [2] 2
AUSTRIA [8] 8
SWITZERLAND [13] 8 4 1
HUNGARY [2] 2
MONACO [1] 1
SLOVENIE [3] 3
ROMENIA [2] 1 1
TURKEY [21] 13 1 3 1 1 1 1
ITALY [74] 36 7 5 12 11 3
GREECE [84] 38 11 10 14 2 6 3
CYPRUS [12] 3 2 1 3 2 1
MALTA [6] 1 4 1
JAPAN [18] 18
EUROPE [2,309] stores
ZARA 664
Kiddy's Class 149
Pull and Bear 381
Massimo Dutti 330
Bershka 316
Stradivarius 239
oysho 131
ZARA HOME 99
ISRAEL [26] 14 12
LEBANON [12] 2 3 3 2 1 1
JORDAN [5] 1 1 1 2
KUWAIT [12] 4 3 1 2 1 1
HONG KONG [4] 4
UAE [25] 5 4 5 4 3 1 3
BAHRAIN [3] 1 1 1
QATAR [4] 1 1 1 1
SAUDI ARABIA [50] 16 7 7 14 2 4
THAYLAND [1] 1
PHILIPINNES [1] 1
MIDDLE EAST NORTH OF AFRICA [139] stores
ZARA 45
Pull and Bear 25
Massimo Dutti 19
Bershka 13
Stradivarius 24
oysho 5
ZARA HOME 8
MALAYSIA [3] 3
SINGAPORE [4] 3 1
INDONESIA [2] 2
ASIA-PACIFIC [33] stores
ZARA 31
Massimo Dutti 2
ZARA Kiddy's Class Pull and Bear Massimo Dutti Bershka Stradivarius oysho ZARA HOME

4.2 GEOGRAPHIC SALES DISTRIBUTION

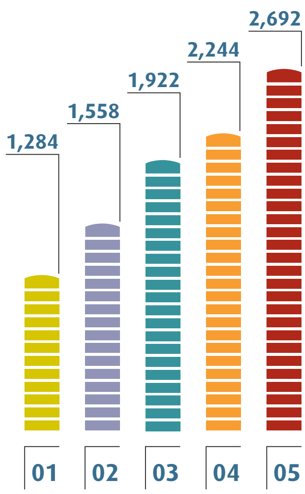
European sales still form the Group's main international sales, with a percentage of over 80% of the total. Significantly, sales in this area (not counting Spain) have risen by 1.6 percentage points, to 38.7% of the total. The relative weight of Spanish sales has thus dropped from 45.5% in 2004 to 43.1% this Financial Year, due to the greater weight of European sales. This trend will continue in the next few years.

SALES PER GEOGRAFIC AREA

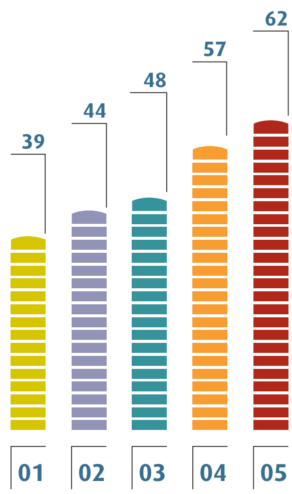


The relative weight of sales in the Rest of the World has also increased, rising from 6.7% in 2004 to the 7.5% reached in 2005. Although its presence in the region is still relatively modest in absolute terms, it is undoubtedly a very attractive business opportunity. In addition to being the world's largest market in terms of population, these countries are and will continue to be among the fastest growing economies. Our interest in increasing our weight in the region is partly due to Zara's commercial experience in the region, where there is great interest in fashion.

NUMBER OF STORES 01 - 05



NUMBER OF COUNTRIES 01 - 05



PERCENTAGE OF SALES IN INTERNATIONAL STORES

Format	2005	2004
Zara	68.9%	65.8%
Kiddy's Class	14.0%	12.8%
Pull and Bear	33.2%	30.2%
Massimo Dutti	45.6%	41.9%
Bershka	41.5%	35.7%
Stradivarius	17.4%	15.4%
Oysho	31.8%	31.5%
Zara Home	23.0%	12.7%
Group Total	56.9%	54.5%

4.3 OWN STORE GROWTH

The growth of Inditex's sales formats is largely due to the opening of stores managed by companies in which Inditex is the sole or main shareholder. As at 31st January 2006, 88% of stores were managed by the company and represented 89% of total sales. At the end of 2005, there were 310 franchises.

In 2005, Inditex acquired 100% of the share capital in Zara Japan, the company through which it conducts its operations in Japan. Japan, the Asia-Pacific country where the Group is most firmly established, will continue to be one of the main focuses for future growth. Inditex has also acquired 100% of Zara Russia (the company which operated the brand as a franchise) and most of the capital in Zara Poland (also previously operated under a franchise agreement). In the same lines, the Group reached an agreement in March 2006 to increase its stake in its German subsidiary Zara Deutschland to 78%. As at 31st January 2006, Inditex had 18 stores in Japan, 14 in Russia, 12 in Poland and 46 in Germany.

PERCENTAGE OF SALES IN OWN AND FRANCHISED STORES

Format	2005		2004	
	Own management	Franchises	Own management	Franchises
Zara	90%	10%	91%	9%
Kiddy's Class	100%	0%	100%	0%
Pull and Bear	91%	9%	91%	9%
Massimo Dutti	72%	28%	68%	32%
Bershka	97%	3%	98%	2%
Stradivarius	82%	18%	82%	18%
Oysho	98%	2%	98%	2%
Zara Home	96%	4%	100%	0%
Total	**89%**	**11%**	**90%**	**10%**

NUMBER OF OWN AND FRANCHISED STORES

Format	2005			2004		
	Own management	Franchises	Total	Own management	Franchises	Total
Zara	770	82	852	649	74	723
Kiddy's Class	149		149	129		129
Pull and Bear	380	47	427	333	38	371
Massimo Dutti	275	94	369	228	98	326
Bershka	351	17	368	295	7	302
Stradivarius	208	55	263	183	44	227
Oysho	149	5	154	102	2	104
Zara Home	100	10	110	62		62
Total	**2,382**	**310**	**2,692**	**1,981**	**263**	**2,244**


berliner
cruisers

5 Sales by Format

All store formats have experienced significant sales increases.
With an investment plan of over €800 million in 2005, Inditex opened 448 new stores in 2005, 70% of them outside Spain

SALES BY FORMAT

Although each sales format has its own particular characteristics as far as target audience, business line and store design are concerned, all the chains have one common feature: a fashion offering with an emphasis on design, aimed at meeting customer demands at competitive prices.

The different level of development of each Inditex format is reflected both in its sales volume and weight within the Group, and in the level of internationalisation reached, as shown in the tables and graphs in the following pages.

Zara is still the format with the highest sales percentage. The tables also show this growth for the most recent formats, such as Zara Home and Oysho, which grew by 93% and 49% respectively in 2005.

	Sales by format (millions of euros)			(%) on total sales	
FORMAT	2005	2004	Var % 05/04	2005	2004
Zara	4,440.8	3,759.7	18%	65.9%	67.5%
Kiddy's Class	155.4	120.6	29%	2.3%	2.2%
Pull and Bear	445.1	367.2	21%	6.6%	6.6%
Massimo Dutti	533.8	458.4	16%	7.9%	8.2%
Bershka	639.4	508.8	26%	9.5%	9.1%
Stradivarius	341.1	241.9	41%	5.1%	4.3%
Oysho	107.0	71.7	49%	1.5%	1.3%
Zara Home	78.1	40.4	93%	1.2%	0.8%
Totals	6,740.7	5,568.7	21%	100.0%	100.0%

5.1 ANALYSIS BY FORMAT

Below is an individual analysis of each format's behaviour during the whole of 2005. The Return on Capital Employed, which reached an average of 41% for the Group, is also shown.

ZARA

(*) Millions of euros			
ZARA	2005	2004	05/04
Net sales(*)	4,440.8	3,759.7	18%
EBIT (*)	712.1	654.2	9%
EBIT margin	16.0%	17.4%	-
Stores	852	723	129
ROCE (%)	41%	42%	-

Zara attained a store presence in 59 countries as at 31st January 2006, with 852 stores. It had 129 net openings in 2005, including its first stores in Monaco, Costa Rica, the Philippines and Indonesia, which were also new markets for the Group. The growth effort was directed at the international markets, with 111 new shops outside Spain. In total, Zara increased its number of stores in 35 countries, reaching a total selling area of 961,791 m^2, 19% more than a year earlier. This growth was particularly significant in Italy and the UK, with 13 and 12 new storesrespectively, as well as in Germany (8 openings in 2005), France (7 new stores) and Japan (6 openings). All these markets are key to the company's growth.

In 2005, Zara's sales rose to €4,440.8 million, representing 65.9% of the Group's total.

(*) Millions of euros			
KIDDY'S CLASS	2005	2004	05/04
Net sales(*)	155.4	120.6	29%
EBIT (*)	28.8	20.8	39%
EBIT margin	18.5%	17.2%	-
Stores	149	129	20
ROCE (%)	67%	59%	-

Kiddy's Class

Kiddy's Class used the year to continue to expand in the two markets in which it operates, opening 16 new stores in Spain and four in Portugal. At year-end, the children's chain had 149 stores in the two Iberian countries' most important cities. Their selling area added up to 28,999 m^2, 15% more than a year earlier. The 2005 Return on Capital Employed figure was 67%, and the EBIT margin rose by 130 basis points.

Kiddy's Class sales for 2005 were €155.4 million, a 29% rise with respect to 2004 and 2.3% of the Group's total.

PULL AND BEAR	2005	2004	05/04
Net sales(*)	445.1	367.2	21%
EBIT (*)	75.3	52.2	44%
EBIT margin	16.9%	14.2%	-
Stores	427	371	56
ROCE (%)	47%	41%	-

(*) Millions of euros

Pull and Bear exported its concept of affordable fashion with young designs to four new markets in 2005 - Italy, France, Turkey and the Czech Republic - thus continuing its current growth and expansion rate outside the Spanish market, mostly in the European markets.

The Pull and Bear formula is receiving a particularly good response in the first of these countries, Italy, where seven new stores opened, including the first ones in Milan, Rome and Turin. A total of 56 stores were opened in 13 countries, increasing the format's store area by 29% to 95,179 m^2. As at 31st January 2006, Pull and Bear had over 427 stores in 23 countries.

Its turnover was €445.1 million, 6.6% of the total for the Inditex Group and 21% more than the total sales for 2004. It has a Return on Capital Employed of 47% and an EBIT margin close to 17%.

MASSIMO DUTTI	2005	2004	05/04
Net sales(*)	533.8	458.4	16%
EBIT (*)	68.8	67.6	2%
EBIT margin	12.9%	14.7%	-
Stores	369	326	43
ROCE (%)	27%	43%	-

(*) Millions of euros

Massimo Dutti started its South East Asia presence in 2005, with the opening of its first stores in Singapore and Thailand. Until then, the Group only had Zara stores in that area.

The third new market entered by this format in 2005 was Ireland, in this case as part of its gradual European growth strategy.

In 2005, Massimo Dutti carried out a total of 43 net openings in 18 countries, extending its presence to a total of 369 stores in 27 countries.

Its selling area increased by 30% to 103,816 m^2.

Massimo Dutti reached €533.8 million in sales, representing 7.9% of the Group's total.

Bershka

(*) Millions of euros			
BERSHKA	**2005**	**2004**	**05/04**
Net sales(*)	639.4	508.8	26%
EBIT (*)	98.9	74.8	32%
EBIT margin	15.5%	14.7%	-
Stores	368	302	66
ROCE (%)	42%	47%	-

Bershka had a total of 368 stores in 20 countries as at 31st January 2006, having opened 66 new shops in 17 countries during 2005. In six of these markets it had only started to operate the previous year: Poland, Ireland, Turkey, the Czech Republic, Saudi Arabia and Malta. In Europe, its growth was particularly significant in countries such as France and Italy, where it opened 10 and 5 new stores respectively.

Its selling area increased by 24% to 130,495 m^2. The chain reached sales of €639.4 million, which made it the Group's second largest format (after Zara) by turnover, with 9.5% of the total.

(*) Millions of euros			
STRADIVARIUS	**2005**	**2004**	**05/04**
Net sales(*)	341.1	241.9	41%
EBIT (*)	83.7	36.7	128%
EBIT margin	24.5%	15.2%	-
Stores	263	227	36
ROCE (%)	82%	41%	-

Stradivarius continued its international growth strategy and opened 36 new stores in 2005. As at 31st January 2006, it had 263 shops in 14 countries. This year, it extended its presence to four new markets: Russia, Greece, Lebanon and Turkey. Its selling area at the end of the financial year was 67,297 m^2, 17% more than the previous year.

This chain, which is aimed at a young female target audience, achieved sales of €341.1 million, a 41% increase over 2004. This figure was 5.1% of the sales for the whole Group. Its Return on Capital Employed was 82%, and its gross operating profit rose by 128%, reaching a 24.5% margin as compared with the previous year's 15.2%

(*) Millions of euros			
OYSHO	**2005**	**2004**	**05/04**
Net sales(*)	107.0	71.7	49%
EBIT (*)	24.5	15.5	58%
EBIT margin	22.9%	21.7%	-
Stores	154	104	50
ROCE (%)	50%	51%	-

Oysho opened 50 new stores in 2005, and closed the year with 154 stores in 10 countries. During the year, it opened its first stores in the United Arab Emirates, Turkey and Lebanon. From the countries in which Oysho increased its number of shops, Italy - where its formula based on lingerie and comfortable clothes to wear around the house is attracting Italian consumers' interest - and Mexico, are particularly noteworthy. Six stores were opened in each of these two countries. Greece in turn saw the opening of four new shops.

The chain's selling area increased by 52% to 21,197 m^2, and it reached sales of €107 million, accounting for 1.6% of all Inditex sales, with a 50% Return on Capital Employed.

Zara Home went from having a presence in six countries to having stores in 14 markets at the end of 2005, with a great response in every new market it penetrates.

Following its 48 openings in 2005, this chain specialising in home furnishings and decoration now has 110 stores. The new markets penetrated by Zara Home in 2005 were Italy, Belgium, the United Arab Emirates, Saudi Arabia, Kuwait, Turkey, Andorra and Cyprus. The chainís selling area grew by 82%, to 25,978 m^2.

Zara Home's sales for 2005 were €78.1 million, 93% more than the previous year. This figure represented 1.2% of the total Inditex Group sales for 2005.

(*) Millions of euros			
ZARA HOME	**2005**	**2004**	**05/04**
Net sales(*)	78.1	40.4	93%
EBIT (*)	1.4	0.2	652%
EBIT margin	1.8%	0.5%	-
stores	110	62	48
ROCE (%)	3%	1%	-

6

Stock Market

Inditex's shares rose by 30.2% during the fiscal year. The proposed dividend for 2005 rose 40% to €0.67

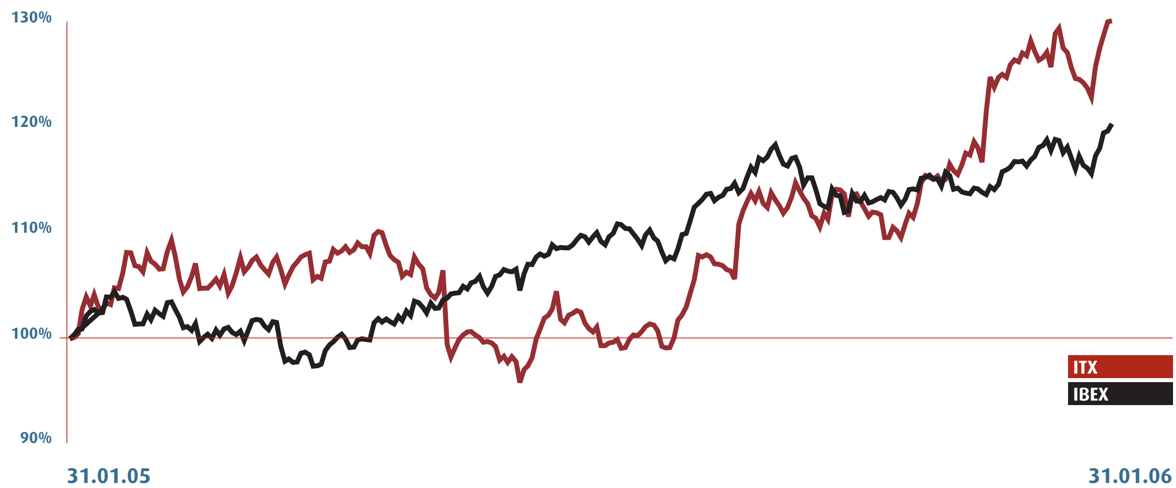
SHARE PRICE IN 2005

Inditex's shares revaluated by 30.2% during 2005, closing at €28.27 per share on 31st January 2006. The average negotiated volume of shares went over the two million shares per day mark. In the same period, the Spanish reference index, IBEX 35, rose by 20.4%.

Inditex's market capitalisation stood at €17,621 million at year-end, 91.31% more than its initial market value on 23rd May 2001, as compared with the 14.66% rise experimented by IBEX 35 during the same period.

The 2004 dividend paid out in July 2005 was €0.48 per share, 37% more than the previous year. This payment consisted of an ordinary dividend of €0.30 and an extraordinary dividend of €0.18 per share.

ANNUAL TREND ITX vs. IBEX 35

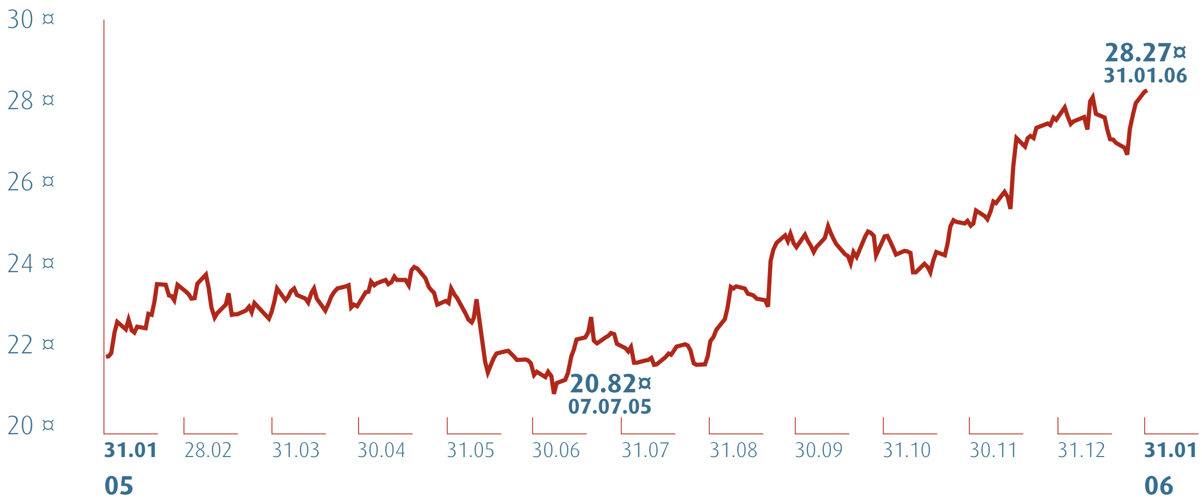


PROFIT PER SHARE (in euro cents)
2005: 129.4
Var 04/05: 26%

SHARE PRICE TRENDS IN 2005 (in Euros)

31st January 2005: 21.72
31st January 2006: 28.27
Var 05/04: 30.2%

INDITEX SHARE VALUE TRENDS

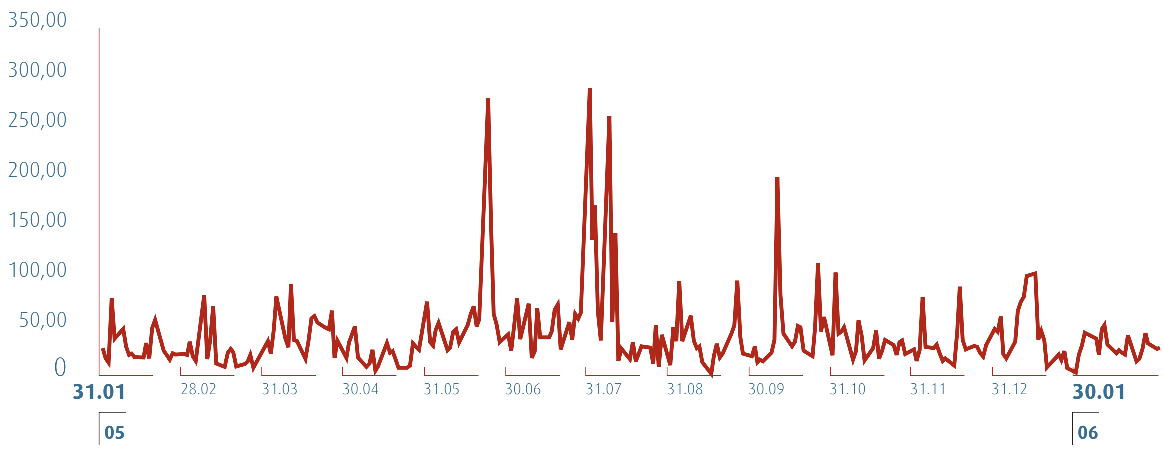


SHARE PRICE TRENDS SINCE THE IPO

IPO price (23rd May 2001): €14.70
31st January 2006: €28.27
Var. at the end of FY2005/ IPO: 92.3%

NEGOTIATED VOLUME

(millions of euros)



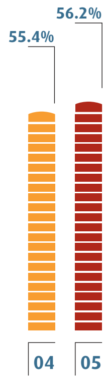
Market Capitalisation at the end of 2005: €17,621 million

Market Capitalisation at the beginning of 2005: €13,538 million

7 Other Indicators of Financial Activity

The gross margin was 56.2% of sales, 80 basis points higher than the previous fiscal year

7.1 GROSS MARGIN



7.2 WORKING CAPITAL TRENDS

7.2.1 Collection and Payment Periods

The following tables show the average period of collection from customers and payment to suppliers. The payment periods are in line with industry standards.

.

(in millions of euros)	2005	2004
Final balance of debtors for sales and services	122.6	102.3
Turnover	6,740.8	5,568.6
Turnover for debtors for sales	55.0	54.5
Average collection period (days)	**7**	**7**

(in millions of euros)	2005	2004
Final balance of trade creditors	1,015.8	794.2
Goods cost for financial year	2,953.1	2,483.4
Operating costs for financial year	2,296.8	1,849.3
Total expenses created by trade creditors	**5,249.9**	**4,332.7**
Expenses from supplier´s balance	5.17	5.46
Average payment period (days)	**71**	**67**

7.2.2 Like-for-like sales

	INCREASE OF LIKE-FOR-LIKE SALES	
	2005	2004
First half	4.5%	8%
Second half	5%	10%
Full year	**5%**	**9%**

7.2.3 Stock rotation

(millions of euros)	2005	2004
Goods cost	2,953.1	2,483.4
Initial stock	517.9	490.6
Final stock	684.4	517.9
Average stock	601.1	504.2
Rotation (times)	**4.9**	**4.9**
Rotation (days)	**74**	**74**

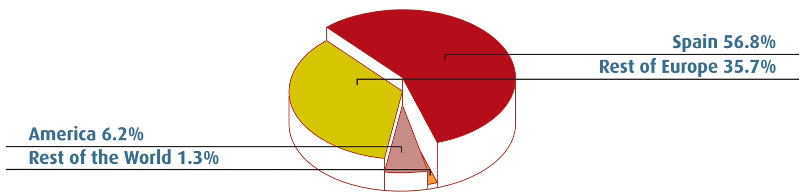
7.2.4 Operative working capital

(millions of euros)	2005	2004
Stock	684.4	517.9
Debtors	357.9	254.1
Short term creditors	(1,641.6)	(1,208.6)
Other assets	15.9	17.9
Operating working capital	**(583.4)**	**(418.7)**

7.3 STAFF COSTS

(millions of euros)	2005	2004	EBIT 05/04
Fixed and variable salaries	842.5	683.4	23
Inditex national insurance contributions	194.1	156.1	24
Total staff costs	**1,036.6**	**839.5**	**23**

STAFF COST BY GEOGRAFIC AREA

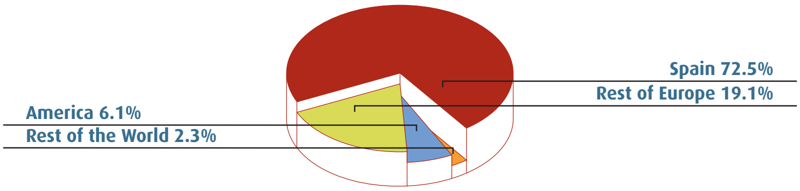


7.4 PROVIDERS OF CAPITAL

At the last two year-ends, Inditex had a positive net cash position, i.e. its positive bank balance was greater than its debts. Inditex had loans, although a significant part of the authorised limits had not been drawn on. With regard to the credit granted as at 31st January 2006, the main providers of Inditex capital are:

Institution	Nationality	% of credit granted
BBVA	Spain	25
BSCH	Spain	20
Hypovereinsbank	Germany	7
Fortis	Belgium	6
BNP	France	4
Caixa Galicia	Spain	4

7.5 TAXES



7.6 RESERVE VARIATIONS

The following table shows the evolution of Inditex's (consolidated group) assets in the last two financial years:

Industria de Diseño Textil S.A. and subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
In thousands of euros

	Equity attributed to the parent company								
	Capital	Issue premium	Own shares	Retained earnings	Conversion differences	Other reserves	Equity attributed to the parent company	Min. interest	Net Equity
BALANCE AS AT 01/02/04	93,500	20,379	(8,909)	1,805,233	0	56,406	1,966,609	10,971	1,977,580
Transfers	-	-	-	(911)	911	-	0	-	0
Other	-	-	-	(489)	0	-	(489)	-	(489)
Impact of exchange rates	-	-	-	-	(17,531)	-	(17,531)	-	(17,531)
Inflation restatement	-	-	-	-	-	4,947	4,947	-	4,947
Net income directly recognised in equity accounts	-	-	-	(1,400)	(16,620)	4,947	(13,073)	0	(13,073)
Profit for the year	-	-	-	638,451	-	-	638,451	7,346	645,797
Total net income recognised during the year				637,051	(16,620)	4,947	625,378	7,346	632,724
Dividends	-	-	-	(217,351)	-	-	(217,351)	(1,446)	(218,797)
Delivery of own shares	-	-	1,442	-	-	-	1,442	-	1,442
Acquisition of companies	-	-	-	-	-	-	0	351	351
Balance as at 31/01/05	**93,500**	**20,379**	**(7,467)**	**2,224,933**	**(16,620)**	**61,353**	**2,376,078**	**17,222**	**2,393,300**
BALANCE AS AT 01/02/05	93,500	20,379	(7,467)	2,224,933	(16,620)	61,353	2,376,078	17,222	2,393,300
Transfers	-	-	0	(7.579)	7.579	-	0	0	0
Other	-	-	0	(4,712)	0	(6,864)	(11,576)	0	(11,576)
Impact of exchange rates	-	-	0	-	28,815	-	28,815	(119)	28,696
Inflation restatement	-	-	0	-	0	-	0	0	0
Net income directly recognised in equity accounts	-	-		(12,291)	36,394	(6.864)	17,239	(119)	17,120
Profit for the year	-	-	0	803,162	0	-	803,162	7,701	810,863
Total net income recognised during the year	-	-		790,871	36,394	(6,864)	820,401	7,582	827,983
Dividends	-	-	0	(298,098)	0	-	(298,098)	(3,711)	(301,809)
Delivery of own shares	-	-	497	0	0	-	497	0	497
Acquisition of companies	-	-	-	-	-	-	-	902	902
Balance as at 31/01/06	**93,500**	**20,379**	**(6,970)**	**2,717,706**	**19,774**	**54,489**	**2,898,878**	**21,995**	**2,920,873**


8
Auditors´Report
and Consolidated
Annual Accounts

KPMG Auditores S.L.
Fama, 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.

1. We have audited the consolidated annual accounts of Industria de Diseño Textil, S.A. (the Company) and subsidiary companies (the Group), which comprise the consolidated balance sheet at 31 January 2006, the consolidated statements of income, cash flow and changes in equity for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's board of directors. 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.

2. The accompanying consolidated annual accounts for the year ended 31 January 2006 are the Group's first annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter EU-IFRS), which require that comparative figures be included for the previous year. In this regard, and in accordance with prevailing legislation, the board of directors present, for comparative purposes, for each individual caption in the consolidated balance sheet, the consolidated statements of income, cash flow and changes in equity for the year then ended and the notes thereto, the consolidated figures for the year ended 31 January 2006 and those corresponding to the prior year, which result from the application of EU-IFRS in force at 31 January 2006. Consequently, the figures for the year ended 31 January 2005 differ from those reported in the approved consolidated annual accounts for that year prepared in accordance with accounting principles prevailing in Spain that year. The differences generated as a result of applying EU-IFRS to consolidated equity at 1 February 2004 and 31 January 2005 and to consolidated results for 2004 are detailed in note 34. We express our opinion solely on the consolidated annual accounts for the year ended 31 January 2006. On 31 March 2005 we issued our unqualified audit report on the consolidated annual accounts for the year ended 31 January 2005, which were prepared in accordance with accounting principles prevailing in Spain that year.

3. In our opinion, the consolidated annual accounts for the year ended 31 January 2006 present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiary companies at 31 January 2006 and the consolidated results of their operations, consolidated statements of cash flows and statements of changes in consolidated equity for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with EU-IFRS which have been applied on a basis consistent with that used in the preparation of the figures and information for the preceding year, which have been included in the consolidated annual accounts for the year ended 31 January 2006 for comparison purposes only.

4. The accompanying consolidated directors' report for the year ended 31 January 2006 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 that disclosed in the consolidated annual accounts for the year ended 31 January 2006. 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 subsidiary companies.

Signed: KPMG AUDITORES, S.L.

Enrique Asla García

29 March 2006

INDITEX
GROUP CONSOLIDATED ANNUAL ACCOUNTS [1]
AS AT 31 JANUARY 2006

1 Translation from the original in Spanish

8.1

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

CONSOLIDATED INCOME STATEMENT

(In Thousands Of Euros)

	(notes)	31 January 2006	31 January 2005
Revenue	(3)	6,740,826	5,568,644
Cost of merchandise	(4)	(2,953,073)	(2,483,441)
GROSS PROFIT		**3,787,753**	**3,085,203**
Operating expenses	(5)	(2,296,759)	(1,849,264)
Operating expenses and income	(6)	(31,672)	(8,563)
Operating Profit (Ebitda)		**1,459,322**	**1,227,376**
Amortisation and depreciation	(12,13,14)	(365,730)	(305,418)
Operating Profit (Ebit)		**1,093,592**	**921,958**
Net financing revenue/(costs)	(7)	8,046	(24,846)
Equity accounting losses	(17)	(192)	(358)
Profit Before Tax		**1,101,446**	**896,754**
Income tax	(24)	(290,583)	(250,957)
Net profit		**810,863**	**645,797**
Profit attributable to minority interest		7,701	7,346
Profit Attributable To The Parent		**803,162**	**638,451**
Basic Earnings Per Share	(8)	129.4	102.8

8.2

Industria De Diseño Textil, S.A. and subsidiary companies

CONSOLIDATED BALANCE SHEETS

(in thousands of euros)

ASSETS	(notes)	31 Jan 2006	31 Jan 2005
CURRENT ASSETS		**2,046,612**	**1,561,713**
Cash and cash equivalents	(20)	988,405	771,842
Trade and other receivables	(10)	327,322	240,035
Inventories	(11)	684,392	517,870
Income tax receivable	(24)	30,609	14,064
Other current assets		15,884	17,902
NON-CURRENT ASSETS		**3,156,251**	**2,651,153**
Property, plant and equipment	(12)	2,410,032	2,002,151
Investment property	(13)	14,227	10,535
Rights over leased assets	(14)	410,690	366,632
Other intangible assets	(14)	9,269	9,098
Goodwill	(15)	79,094	68,777
Investments	(16)	61,021	53,470
Investments in associates	(17)	7,040	7,232
Deferred tax assets	(24)	77,716	61,367
Other	(18)	87,162	71,891
TOTAL ASSETS		**5,202,863**	**4,212,866**
LIABILITIES			
CURRENT LIABILITIES		**1,850,828**	**1,372,355**
Trade and other payables	(19)	1,509,526	1,075,453
Financial debt	(20)	209,192	163,733
Income tax payable	(24)	132,110	133,169
NON-CURRENT LIABILITIES		**431,162**	**447,211**
Financial debt	(20)	76,099	119,185
Deferred tax liabilities	(24)	106,735	89,177
Provisions	(21)	41,965	31,728
Other non-current liabilities	(22)	206,363	207,121
NET EQUITY		**2,920,873**	**2,393,300**
Net equity attributable to the parent		2,898,878	2,376,078
Net equity attributable to minority interest		21,995	17,222
TOTAL LIABILITIES		**5,202,863**	**4,212,866**

8.3

Industria De Diseño Textil, S.A. and subsidiary companies

STATEMENT OF CONSOLIDATED CASH FLOWS

(in thousands of euros)

	Year 2005	Year 2004	Var % 05/04
Profit before taxes and minority interest	**1,101,446**	**896,754**	**22.8%**
ADJUSTMENTS TO PROFIT			
Amortisation and depreciation	365,730	305,418	
Proceeds from the sale of property, plant and equipment	1,071	4,505	
Income tax	(290,583)	(250,957)	
Deferred tax assets and liabilities	293	7,995	
Foreign exchange translation differences	2,887	17,753	
Other	59,481	40,130	
Cash flows generated	**1,240,325**	**1,021,597**	**21.4%**
VARIATION IN ASSETS AND LIABILITIES			
Inventories	(164,161)	(27,179)	
Receivables and other current assets	(69,544)	72,593	
Current payables	414,076	172,812	
Variation in operating financing requirements	**180,370**	**218,226**	**-17.3%**
Cash flows from operating activities	**1,420,695**	**1,239,823**	**14.6%**
Acquisition of intangible assets	(81,736)	(80,859)	
Acquisition of property, plant and equipment	(701,909)	(559,440)	
Acquisition of entities	(14,002)	(51,245)	
Acquisition of other investments	(3,735)	(17,706)	
Acquisition of other assets	(27,576)	(5,488)	
Proceeds from sale of assets and collections of other non-current assets	17,078	14,216	
Proceeds from sale of entities	0	4,600	
Net cash from investing activities	**(811,880)**	**(695,922)**	**16.7%**
Variation in non-current financial borrowing	(25,698)	(64,273)	
Variation in non-current non-financial borrowing	(97,939)	(56,555)	
Variation in current financial borrowing	26,090	82,430	
Dividends	(301,809)	(219,384)	
Other financing activities	497	458	
Net cash from financing activities	**(398,859)**	**(257,324)**	**55.0%**
Net increase in cash and cash equivalents	209,957	286,577	
Effect of exchange rate fluctuations on cash and cash equivalents held	6,606	(11,671)	
Cash and cash equivalents at the opening date	771,842	496,936	55.3%
Cash and cash equivalents at the closing date	**988,405**	**771,842**	**28.1%**

8.4

Industria De Diseño Textil, S.A. and subsidiary companies

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	Equity attributable to the parent								
	Capital	**Share Premium**	**Own Shares**	**Accumula-ted earnings**	**Translation differences**	**Other reserves**	**Equity attributable to the parent**	**Minority interests**	**Net equity**
Balance at 01/02/2004	93,500	20,379	(8,909)	1,805,233	0	56,406	1,966,609	10,971	1,977,580
Transfers	-	-	-	(911)	911	-	0	-	0
Others	-	-	-	(489)	0	-	(489)	-	(489)
Exchange rate effect	-	-	-	-	(17,531)	-	(17,531)	-	(17,531)
Restatement due to inflation	-	-	-	-	-	4,947	4,947	-	4,947
Net income recognized directly in equity	-	-	-	(1,400)	(16,620)	4,947	(13,073)	0	(13,073)
Profit for the year	-	-	-	638,451	-	-	638,451	7,346	645,797
Total recognized income and expense for the period				637,051	(16,620)	4,947	625,378	7,346	632,724
Dividends	-	-	-	(217,351)	-	-	(217,351)	(1,446)	(218,797)
Own shares	-	-	1,442	-	-	-	1,442	-	1,442
Acquisition of entities	-	-	-	-	-	-	0	351	351
Balance at 31/01/2005	**93,500**	**20,379**	**(7,467)**	**2,224,933**	**(16,620)**	**61,353**	**2,376,078**	**17,222**	**2,393,300**
BALANCE AT 01/02/2005	93,500	20,379	(7,467)	2,224,933	(16,620)	61,353	2,376,078	17,222	2,393,300
Transfers	-	-	0	(7,579)	7,579	-	0	0	0
Others	-	-	0	(4,712)	0	(6,864)	(11,576)	0	(11,576)
Exchange rate effect	-	-	0	-	28,815	-	28,815	(119)	28,696
Restatement due to inflation	-	-	0	-	0	-	0	0	0
Net income recognized directly in equity	-	-	-	(12,291)	36,394	(6,864)	17,239	(119)	17,120
Profit for the year	-	-	0	803,162	0	-	803,162	7,701	810,863
Total recognized income and expense for the period	-	-		790,871	36,394	(6,864)	820,401	7,582	827,983
Dividends	-	-	0	(298,098)	0	-	(298,098)	(3,711)	(301,809)
Own shares	-	-	497	0	0	-	497	0	497
Acquisition of entities	-	-	-	-	-	-	-	902	902
Balance at 31/01/2006	**93,500**	**20,379**	**(6,970)**	**2,717,706**	**19,774**	**54,489**	**2,898,878**	**21,995**	**2,920,873**

8.5 CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AT 31 JANUARY 2006

1. ACTIVITY AND DESCRIPTION OF THE GROUP

Industria de Diseño Textil, S.A., (hereinafter Inditex) is the parent of a group of companies, the principal activity of which consists of the distribution of fashion articles, mainly clothing, footwear, accessories and household textile products. Inditex carries out its activity through various commercial formats such as Zara, Kiddy´s Class, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home, which are managed separately but which share certain corporate functions. Inditex is domiciled in Spain, is listed on all four of the Spanish stock exchanges and, together with its subsidiary companies, comprises the Inditex Group (the Group).

Each formats commercial activity is carried out through chains of stores managed directly by companies in which Inditex holds all or the majority of the share capital, with the exception of certain countries where, for various reasons, the retail selling activity is performed through franchises.

Inditex business model is characterised by the search for flexibility in adapting production to market demand by controlling the supply chain throughout the different stages of design, manufacture and distribution. This enables it to focus both its own and suppliers´ production on changes in market trends during each commercial campaign.

The logistics system is based on constant deliveries from the distribution centres of the various commercial formats to stores throughout each season. This system essentially operates through centralised logistics centres for each chain in which inventory is stored and distributed to stores worldwide.

At 31 January 2006 the different group formats have stores in 61 countries as follows:

	Number of stores		
	Own	Franchises	Total
Spain	1,430	31	1,461
Rest of Europe	724	124	848
America	207	4	211
Rest of the world	21	151	172
Total	2,382	310	2,692

The majority of own stores are held under operating leases. Information on the main characteristics of lease contracts is provided in note 25.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

a) Statement of compliance

The consolidated annual accounts of the Inditex Group for 2005 have been prepared by the board of directors of the Company and will be submitted for approval at the corresponding annual general shareholders´ meeting. The directors consider that the consolidated annual accounts will be approved without significant changes. These annual accounts have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (hereinafter EU-IFRS or IFRS), in compliance with Regulation (EC) No. 1606/2002 of the European Parliament. These are the Inditex Groups´ first consolidated annual accounts prepared in accordance with EU-IFRS.

Inditex financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2005 will hereinafter be referred to as the 2004 period or year, that ended 31 January 2006 as 2005, and so on.

Some of the amounts shown in these annual accounts for 2004, as well as the criteria applied to classify and present assets, liabilities, income and expenses, do not coincide with the annual accounts for 2004 approved by the shareholders at their annual general meeting held on 15 July 2005, as these latter accounts were prepared in accordance with legislation prevailing at that time in Spain. Note 34 explains the effects of the transition to IFRS on these consolidated annual accounts and a reconciliation is shown for amounts relating to equity and results for the year ended 31 January 2005.

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

The individual annual accounts of the parent company (Inditex) for 2005 have been prepared by the board of directors in a separate document.

b) Basis of presentation

The accompanying annual accounts present fairly the shareholdersÅf equity and financial position of the Inditex Group at 31 January 2006, as well as the results of its operations and cash flows for the year then ended.

These consolidated annual accounts for 2005 have been prepared on the basis of the accounting records of Inditex and the remaining group companies.

Note 35 describes the accounting policies applied on a consistent basis for the accounting periods included in these consolidated annual accounts, as well as in the preparation of the opening balance sheet in accordance with EU-IFRS at the transition date (1 February 2004).

The preparation of the consolidated annual accounts requires Inditex Group management to make judgements and estimates that affect the application of policies and reported amounts of certain assets, liabilities, income and expenses. The estimates are reviewed on an ongoing basis and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates mainly refer to the valuation of assets to determine the existence of impairment losses, the useful lives of property, plant and equipment and intangible assets, as well as the likelihood of occurrence of undetermined or contingent liabilities.

Although these estimates have been made on the basis of the best information available on the matters analysed at the time of preparing these annual accounts, it is possible that events may take place in the future which could make it necessary to amend, increase or decrease these estimates in future accounting periods, which would be carried out prospectively, recognising the effects of the change in estimation in the corresponding future consolidated annual accounts.

c) Basis of consolidation

I) Subsidiaries

Subsidiaries are those entities controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern financial and operating policies. Subsidiaries are consolidated by aggregating the total amount of assets, liabilities, income, expenses and cash flows, after carrying out the adjustments and eliminations relating to intragroup operations. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the date that control commences.

Net identifiable assets acquired and certain or contingent liabilities assumed as part of a business combination are stated at fair value at the date of acquisition, providing the acquisition takes place after the date of transition to EU-IFRS. If the cost of acquisition is greater than the fair value of the net identifiable assets acquired at that date, the excess is recognised as goodwill, and otherwise is recorded as income for the year. The interest held by minority shareholders is established proportionally to the fair value of the recognised assets and liabilities. Any loss attributable to minority shareholders that exceeds their interest is assumed by the Group in the preparation of its annual accounts. Minority interest in the equity and results of subsidiaries is presented under Net equity attributable to minority interest and Profit attributable to minority interest, respectively. A list of subsidiaries is presented in Appendix I.

II) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated annual accounts include, in each individual caption of the balance sheet and income statement, the Group proportionate share in these entities assets, liabilities, revenue and expenses from the date that joint control commences until the date that joint control ceases.

III) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated annual accounts include the Group share of the total recognised gains, losses, assets and liabilities of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group share of losses exceeds its interest in an associate, the Group associate´s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal obligations or made payments on behalf of the associate.

IV) Harmonisation of criteria

Each of the entities included in the consolidated group prepares its annual accounts and other accounting records in accordance with accounting policies and legislation applicable in the country of origin. When these accounting criteria and policies are different to those adopted by Inditex in the preparation of its consolidated annual accounts, they have been adjusted in order to present the consolidated annual accounts using homogenous accounting principles.

V) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised gains arising from transactions with third parties, are eliminated in the consolidation process. In the case of jointly controlled entities, balances, revenues and expenses between intragroup companies, and any unrealised gains arising from transactions with third parties, are eliminated in the consolidation process to the extent of the Group´s interest in the entity. Unrealised gains arising from transactions with associates are eliminated from the consolidated annual accounts to the extent of the Group´s interest in the entity.

VI) Financial statements of foreign operations

The conversion of financial statements of entities with a functional currency other than the euro is carried out as follows:

- Assets and liabilities are translated to euro at foreign exchange rates ruling at the balance sheet date.
- Items that comprise the net equity of these entities are translated to euro at historical exchange rates (or, for accumulated results, at the average exchange rate for the year in which they were generated).
- Revenues and expenses are translated to euro at the average exchange rate for the year.

Differences arising from the application of these exchange rates are included in net consolidated equity under the “Translation Differences” caption.

Foreign exchange differences of consolidated companies deriving from monetary operations with other consolidated entities which, in substance, form part of the net investment made by the Group in foreign entities, and whose collection or payment is not foreseeable or is not likely to occur, are classified as net consolidated equity until disinvestment in the subsidiary takes place, at which time the differences are recognised as income or expense for the year.

Exchange differences deriving from trade payable and receivable balances and financing operations between group companies, with foreseeable settlement, are recognised in the income statement for the year.

VII) Financial statements in hyperinflationary countries

The financial statements of foreign operations in countries considered to have hyperinflationary economies have been adjusted prior to translation to euro to account for the effect of changes in prices.

VIII) Entities with a closing date different to that of the Group

Entities with a closing date different to that of the consolidated accounts have been consolidated with the financial statements at their closing date. Significant operations carried out between the closing date of these subsidiaries and that of the consolidated accounts are harmonised accordingly.

IX) Changes to the consolidated group

The following entities were incorporated into the consolidated group in 2005:

Zara Monaco, SAM	**Massimo Dutti USA, Ltd.**
Zara Home Italia, S.R.L	**Massimo Dutti Danmark A/S**
Zara Comercial (Shanghai), Co. Ltd.	**Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.**
Bershka Ceska Republika, S.R.O	**Oysho Polska, Sp zo.o**
Bershka Polska, Sp Zo.o	**Stradivarius Polska, Sp zo.o**
Pull&Bear Ceska Republika, S.R.O	**Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.**
Pull&Bear Ireland, Ltd.	**Zara Home Francia, S.A.R.L.**
Pull&Bear Polska, Sp zo.o	**Tempe Brasil, Ltda.**
Pull&Bear Magyarország Kft.	**Plataforma Logística León, S.A.**

The Polish entity Young Fashion, Sp Zo.o was consolidated for the first time in July 2005 following the acquisition of 80% of its share capital (see notes 15 and 22). This entity held the Zara store franchise in Poland.

The entities known as Vajo, S.A. and Zara Merken, B.V. at 31 January 2005 have changed their names to Zara Home Belgium, S.A. and ITX Merken, B.V., respectively.

The incorporations referred to in the previous paragraphs have not had a significant impact on the consolidated annual accounts for 2005.

3. REVENUE

The figure for revenue in the consolidated income statement includes amounts received from the sale of goods and income from rentals, royalties and other services rendered in the ordinary course of the Group's business, net of VAT and other sales-related taxes.

Details of this caption for 2005 and 2004 are as follows:

	2005	2004
Net sales in own stores	6,251,746	5,147,017
Net sales to franchises	420,201	347,551
Other sales and services rendered	68,879	74,076
Total	6,740,826	5,568,644

4. COST OF MERCHANDISE

Details of this caption for 2005 and 2004 are as follows:

	2005	2004
Raw materials and consumables	3,119,595	2,510,756
Change in inventories	(166,522)	(27,315)
Total	2,953,073	2,483,441

Raw materials and consumables mainly include amounts relating to the acquisition or production by third parties of products held for sale or transformation, the transportation of purchases made by group companies until goods are delivered to the corresponding logistic centres, customs tariffs, duties and taxes payable on imported goods and other minor amounts related to the acquisition of goods.

5. OPERATING EXPENSES

Details of operating expenses are as follows:

	2005	2004
Personnel expenses	1,036,576	839,500
Operating leases (note 25)	577,041	468,101
Other operating expenses	683,142	541,663
Total	2,296,759	1,849,264

At 31 January 2006 and 2005 the Group had a total of approximately 58,000 and 47,000 employees, respectively. Note 28 (employee benefits) provides additional information on personnel expenses.

Lease expenses mainly relate to the rental, through operating leases, of the commercial premises from which the Group carries out its activity. Note 25 provides more detailed information on the main characteristics of these leases, together with the related minimum future payment commitments.

ÅgOther operating expensesÅh mainly include expenses relating to store operations, logistics and general overheads, such as electricity, commissions on credit and debit card payments, travel, transportation of merchandise from logistic centres to stores, decoration expenses, communications and all kinds of professional services.

6. OTHER OPERATING EXPENSES AND INCOME

This caption includes all operating expenses, other than those associated with the Group´s commercial and logistics activity, included under ¨Operating expenses¨ in the consolidated income statement described in the prior note.

“Other operating expenses” mainly include variations in the debt related to reciprocal sales and purchase options between the Group and shareholders with a partial stake in certain subsidiaries, as these options are considered a deferred acquisition of the shares which constitute the underlying asset (notes 22, 33 and 34). These variations are basically due to the relationship between the price of the options and the number of stores operated, shareholders´ equity and the results of these subsidiary companies.

Below are details of the main reciprocal sales-purchase options over these investments:

a) Stradivarius España, S.A.

Since 90.05% of this company was acquired in 1998, Inditex had a call option on the remaining 9.95% of share capital held by another shareholder, which in turn had a reciprocal put option with the Group. These options had no premium attached and were exercisable from 2005 to 2010 for a strike price plus 9.95% of undistributed Stradivarius España, S.A. profit from the acquisition date until such time as either of the options was exercised.

In July 2005 Inditex exercised its call option on the remaining 9.95% of share capital and settled the corresponding liability. This option was duly eliminated when exercised and is therefore not shown in the balance sheet at 31 January 2006.

b) Subsidiary companies domiciled in Germany

The Group has a call option on 50% of the share capital of Zara Deutschland, GmbH, Oysho Deutschland, GmbH and Massimo Dutti Deutschland, GmbH, held by Otto GMBH and Co., which in turn has a reciprocal put option with the Group. These options may be exercised over the term of the agreement between the parties, have no premium and the strike price depends mainly on the contributions made by Otto GmbH and Co. to the shareholders´f equity of each respective subsidiary and the number of stores operated by the subsidiary if and when either of the options is exercised.

During the last quarter of the year ended 31 January 2006, Inditex communicated to Otto GMBH and Co. its intention to proceed to the increase of its particiation in the subsidiaries companies domiciliated in Germany, after an agreement reached between the parties to partially exercise the option in favour of Inditex and amend the agreements signed in prior years (see note 33). As a result, Inditex´s investment in Zara Deutschland, GmbH has risen from 50% to 78% and the agreements reached prior to the closing date were formally documented at the end of March. Furthermore, on the same date Inditex management made known its intention to acquire Otto GMBH and Co.´s 50% stake in the rest of the subsidiaries domiciliated in Germany (see note 33).

c) Zara Japan

At 31 January 2004, Inditex held a 50% investment in Zara Japan Corporation and a call option on the remaining 50% belonging to the Bigi group. In May 2004, Inditex reached an agreement with this group whereby it partially exercised its call option and acquired an additional 35%, and signed a new contract of association with the Bigi group which granted Inditex a call option over the remaining 15% of the share capital and the Bigi group a reciprocal put option. These options had no premium attached and the strike price comprised a fixed and a variable amount.

In December 2005, Inditex exercised its call option, acquired the 15% stake held by the Bigi group in Zara Japan Corporation and settled the corresponding liability. This option was duly eliminated when exercised and is therefore not shown in the balance sheet at 31 January 2006.

d) Subsidiary companies domiciled in Italy

At 31 January 2004, Inditex held 51% of the share capital of Zara Italia, S.R.L., and in March 2004 reached an agreement with the other shareholder (the Percassi group), whereby it acquired a further 29%. On the same date it signed a new contract of association, which is still in force, that granted Inditex a call option on the remaining 20% of the share capital held by the Percassi group, and the Percassi group a reciprocal put option. The options have no premium attached and the strike price will comprise a fixed and variable portion which will be mainly conditional on the shareholders´ equity, the subsidiary results and the number of stores operated by the subsidiary if and when either of the options is exercised.

Additionally, the Group has a call option on 20% of the share capital of Massimo Dutti Italia, S.R.L., Bershka Italia S.R.L., Pull & Bear Italia S.R.L. and Oysho Italia, S.R.L., held by the Percassi group, which in turn holds a reciprocal put option. The options have no premium attached and the strike price will depend on the shareholders equity of the subsidiary and the number of stores operated by the subsidiary if and when the option is exercised.

Inditex has accounts receivable from the Percassi group of Euros 20 million which may be netted against any creditor balances in the event either of the above-mentioned options is exercised (see note 16).

e) Subsidiary companies domiciled in Mexico

The Group has call options on 5% of the share capital of Zara México, S.A. de C.V., 3% of the share capital in Bershka México, S.A. de C.V., and 1.5% each of Oysho México, S.A. de C.V. and Pull & Bear México, S.A. de C.V., which are held by the minority interest. The exercise period of these options extends over the term of the agreements between the parties. The options have no premium attached and the strike price will depend on the shareholders equity of the subsidiaries.

7. NET FINANCING REVENUE/COSTS

Details of net financing revenue/costs in the consolidated income statements for 2005 and 2004 are as follows:

	2005	2004
Financial income	24,729	14,579
Financial expenses	(20,928)	(21,817)
Net foreign exchange translation differences	4,245	(17,608)
Total	8,046	(24,846)

Financial income and expenses basically comprise interest accrued on the Group´s financial assets and liabilities during the year (see note 20). Net foreign exchange translation differences are principally due to fluctuations in the currencies with which the Group operates (see note 27) between when income, expenses, acquisitions or disposals of assets are recognised and the corresponding assets or liabilities are realised or valued under applicable accounting principles. Net financing revenue/costs also include the effect of measuring exchange rate derivative instruments at fair value (see note 35.p).

8. EARNINGS PER SHARE

Basic earnings per share was calculated based on the net profit for the year divided by the weighted average number of ordinary shares in circulation during the year, excluding the average number of parent company shares held by the Group (see note 23), which in 2005 and 2004 totalled 620,910,527 and 620,810,520, respectively.

The Group has not carried out any operations which would give rise to a diluted earnings per share that differs from basic earnings per share.

9. SEGMENT REPORTING

Business segments

The principal activity of the Inditex Group comprises the retail distribution of clothing, footwear, accessories and household textile products through various commercial format stores aimed at different sectors of the public. These commercial formats are managed independently in such a way that each constitutes a business segment which is subject to risks and rewards different to those experienced by the rest of the Group, although each carries out its activity in the same sector.

The eight business formats of Inditex are: Zara, KiddyÅfs Class, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home. Each format manages its own supply chain, corporate policy and network of stores, while taking advantage of the synergies of belonging to the Inditex Group, mainly in the areas of support, market knowledge, economic solvency before third parties and in all corporate activities.

Geographical segments

All Inditex Group commercial formats operate in different markets with varying economic, commercial and legal environments, and are therefore subject to different risks and rewards. The four geographical segments of the Group´s activities _ Spain, rest of Europe, America and Asia and the rest of the world _ are determined based on the similarity of commercial, economic and political conditions and the proximity of operations.

Primary and secondary segments

The origin and predominant nature of the risks and rewards of the Inditex GroupÅfs business units are attributable to business segments, as these risks and rewards are mainly influenced by the fact that each cash generating unit belongs to a particular commercial format, and geographical location. The internal organisation of the Inditex Group, the decision-making process and the system for communicating information to the board of directors and group management is organised primarily by commercial format, followed by geographical areas.

Details of the Inditex Group by segments are as follows:

PRIMARY SEGMENTS	ZARA	Rest of formats	Eliminations on consolidation	TOTAL
YEAR 2004				
Total revenue	3,980,010	1,817,920	-	5,797,930
Inter-segment revenue	220,342	8,944	(229,286)	0
Revenue from third parties	3,759,668	1,808,976	-	5,568,644
Segment result	654,165	267,793	-	921,958
Segment assets	2,546,575	1,102,601	-	3,649,176
Segment liabilities	963,919	439,339	-	1,403,258
Segment investments	465,084	239,526	-	704,610
Amortisation and depreciation	210,970	94,448	-	305,418
Expenses without cash outflow	25,939	4,016	-	29,955
ROCE	42%	43%	-	42%
Number of stores	723	1,521	-	2,244
YEAR 2005				
Total revenue	4,691,088	2,302,739	-	6,993,827
Inter-segment revenue	250,330	2,671	(253,001)	0
Revenue from third parties	4,440,759	2,300,067	-	6,740,826
Segment result	712,128	381,464	-	1,093,592
Segment assets	2,781,173	1,619,905	-	4,401,078
Segment liabilities	1,279,959	584,630	-	1,864,589
Segment investments	535,397	297,214	-	832,609
Amortisation and depreciation	246,635	119,095	-	365,730
Expenses without cash outflow	23,588	5,454	-	29,042
ROCE	41%	42%	-	41%
Number of stores	852	1,840	-	2,692

PRIMARY SEGMENTS

YEAR 2004

	ZARA	Kiddy's Class	Pull & Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Eliminations of consolidation	Total
Total revenue	3,980,010	120,741	369,119	459,941	511,017	244,487	72,213	40,400	-	5,797,930
Inter-segment revenue	220,342	108	1,886	1,581	2,203	2,606	556	4	(229.286)	0
Revenue from third parties	3,759,668	120,633	367,233	458,360	508,814	241,881	71,657	40,396	-	5,568,644
Segment result	654,165	20,799	52,209	67,592	74,816	36,656	15,533	188	-	921,958
Segment assets	2,546,575	79,317	216,313	306,847	315,507	130,133	28,233	26,250	-	3,649,176
Segment liabilities	963,919	14,493	83,259	124,356	126,814	62,038	16,712	11,666	-	1,403,258
Segment investments	465,084	14,153	27,199	83,198	66,326	18,072	11,476	19,103	-	704,610
Amortisation and depreciation	210,970	4,602	18,798	27,206	24,360	12,016	4,842	2,625	-	305,418
Expenses without cash outflow	25,939	404	1,355	1,864	1,126	-328	-464	58	-	29,955
ROCE	42%	59%	41%	43%	47%	41%	51%	1%	-	42%
Number of stores	723	129	371	326	302	227	104	62	-	2,244

YEAR 2005

	ZARA	Kiddy's class	Pull & Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Eliminations of consolidation	Total
Total revenue	4,691,088	155,509	445,585	534,121	640,997	341,369	107,030	78,128	-	6,993,827
Inter-segment revenue	250,330	106	460	319	1,548	238	1	0	(253.001)	0
Revenue from third parties	4,440,759	155,404	445,125	533,802	639,449	341,131	107,029	78,128	-	6,740,826
Segment result	712,128	28,818	75,313	68,796	98,940	83,631	24,528	1,417	-	1,093,592
Segment assets	2,781,173	103,639	282,098	454,629	454,502	188,345	79,586	57,106	-	4,401,078
Segment liabilities	1,279,959	19,572	109,356	142,074	168,802	89,929	28,434	26,464	-	1,864,589
Segment investments	535,397	12,411	54,381	89,039	72,956	24,599	20,909	22,918	-	832,609
Amortisation and depreciation	246,635	5,578	21,644	37,845	28,605	12,372	5,272	7,778	-	365,730
Expenses without cash outflow	23,588	-122	1,053	2,826	791	402	469	35	-	29,042
ROCE	41%	67%	47%	27%	42%	82%	50%	3%	-	41%
Number of stores	852	149	427	369	368	263	154	110	-	2,692

The segment result is defined as Operating Profit (EBIT). Therefore, according to IAS 14, and in order to keep consistency between the amounts shown in the balance sheet and profit and loss account, assets and liabilities of the segment are only those employed in its operating activities and do not include income tax assets or liabilities neither receivables or payables, loans, investments or other financial income-producing asset or liability, as these concepts are not included in the segment result. Income, expenses, assets and liabilities which are considered corporate in nature or as belonging to the group of segments as a whole have been assigned to each segment in accordance with criteria considered reasonable by group management.

ROCE is defined as the ratio between the segment result for the year (EBIT) and the total net average assets of the segment, that include those employed in its operating activities as well as financial and tax assets.

Secondary segments

	Sales to third parties	
	2005	2004
Spain	3,039,145	2,648,149
Rest of Europe	2,608,774	2,065,703
AmErica	757,651	600,102
Asia and Rest of the World	335,256	254,689

	Net assets		Investment	
	2005	2004	2005	2004
Spain	1,559,229	1,260,466	268,700	314,937
Rest of Europe	2,364,690	2,000,757	448,471	312,399
AmErica	382,695	305,234	75,236	40,393
Asia and Rest of the World	94,464	82,720	40,203	36,881
Total	4,401,078	3,649,177	832,609	704,610

10. TRADE AND OTHER RECEIVABLES

Details of this caption at 31 January 2006 and 2005 are as follows:

	2005	2004
Trade receivables	49,555	41,790
Sales to franchises	73,015	60,475
Public entities	149,196	82,393
Other current receivables	55,556	55,377
Total	327,322	240,035

Trade receivables mainly correspond to debit/credit card payments pending collection.

Part of the Group activity is carried out through franchised stores (see note 3). Sales to franchises are made under agreed collection terms and generate the receivables shown in the table above, which are secured as described in note 27.

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

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

11. INVENTORIES

Details at 31 January 2006 and 2005 are as follows:

	2005	2004
Raw materials and consumables	**35,735**	**37,933**
Work in progress	**17,074**	**16,892**
Finish goods for sale	**631,583**	**463,045**
Total	**684,392**	**517,870**

The amount of the write-down of inventories measured at net realisable value (as it is lower than cost of acquisition or production) amount to Euros 27,782 thousand at 31 January 2006 (Euros 24,648 thousand at 31 January 2005) and mainly relate to the final season´s stock.

The Group contracts insurance policies to cover potential inventory-related risks.

12. PROPERTY, PLANT AND EQUIPMENT

Details of and movement in the Property, plant and equipment caption of the consolidated balance sheet are as follows:

COST	Land and buildings	Leasehold improvements & machinery and furniture	Other	Advances and work in progress	TOTAL
Balance at 01/02/2004	551,168	1,821,056	89,523	54,696	2,516,443
Acquisitions	34,926	478,085	11,272	74,886	599,169
Acquisition of entities	0	3,606	0	0	3,606
Disposals	(2,714)	(88,566)	(2,208)	(3,463)	(96,951)
Transfers	5,803	48,017	414	(40,352)	13,882
Effect of movements in foreign exchange	(203)	(11,193)	(316)	(1,484)	(13,196)
Restatement due to inflation	1,639	2,878	106	0	4,623
Balance at 31/01/2005	590,619	2,253,883	98,791	84,283	3,027,576
Balance at 01/02/2005	590,619	2,253,883	98,791	84,283	3,027,576
Acquisitions	1,977	607,823	15,291	108,221	733,312
Acquisition of entities	0	8,614	0	0	8,614
Disposals	(13,392)	(96,583)	(1,987)	(16,084)	(128,046)
Transfers	26,143	43,824	(1,741)	(71,271)	(3,045)
Effect of movements in foreign exchange	1,585	25,130	1,036	942	28,693
Balance at 31/01/2006	**606,932**	**2,842,691**	**111,390**	**106,091**	**3,667,104**
DEPRECIATION					
Balance at 01/02/2004	96,722	664,872	42,986	-	804,580
Depreciation charge for the year	17,730	218,843	11,777	-	248,350
Acquisition of entites	0	562	0	-	562
Disposals	(1,595)	(42,333)	(2,946)	-	(46,874)
Transfers	(756)	1,904	208	-	1,356
Effect of movements in foreign exchange	(860)	(3,177)	(257)	-	(4,294)
Restatement due to inflation	816	5,882	284	-	6,982
Balance at 31/01/2005	112,057	846,553	52,052	-	1,010,663
Balance at 01/02/2005	112,057	846,553	52,052	-	1,010,663
Depreciation charge for the year	11,925	275,252	11,645	-	298,822
Reversal of impairment losses	(3,129)	(75,030)	(1,575)	-	(79,734)
Transfers	726	1,844	(738)	-	1,832
Effect of movements in foreign exchange	38	(1,212)	708	-	(466)
Balance at 31/01/2006	**121,617**	**1,047,407**	**62,092**	**-**	**1,231,117**
IMPAIRMENT LOSSES (NOTE 35-H)					
Balance at 01/02/2004	0	13,310	0	-	13,310
Impairment charge	0	1.453	0	-	1,453
Balance at 31/01/2005	0	14,763	0	-	14,763
Balance at 01/02/2005	0	14,763	0	-	14,763
Impairment charge	0	13,271	0	-	13,271
Applications	0	(2,078)	0	-	(2,078)
Balance at 31/01/2006	**0**	**25,956**	**0**	**-**	**25,956**
NET CARRYING AMOUNT					
Balance at 31/01/2005	478,562	1,392,567	46,739	84,283	2,002,151
Balance at 31/01/2006	**485,315**	**1,769,328**	**49,298**	**106,091**	**2,410,032**

The ¨Other¨ caption includes, for instance, computer hardware and vehicles.

The cost of fully depreciated items under property, plant and equipment at 31 January 2006 and 31 January 2005 is Euro 237,601 thousand and Euro129,862 thousand, respectively.These mainly correspond to machinery and furniture.

The Group contracts insurance policies to cover potential risks affecting items under property, plant and equipment.

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

Standard measurement criteria are established at corporate level which enable the different exposure risks to be quantified and measured.

The Group contracts insurance policies through corporate insurance programs to protect its equity from risk and establishes limits, policy excesses and conditions according to the nature thereof and the financial relevance of the subsidiary. This structure mainly comprises three worldwide insurance programs which comprise the main risks insured by the Group.

13. INVESTMENT PROPERTY

Investment property mainly corresponds to premises and other properties leased to third parties. Movement in this caption during 2005 and 2004 is as follows:

Cost	2005	2004
Opening balance	13,543	13,543
Acquisitions	6,101	0
Disposals	0	0
Closing balance	19,644	13,543

Amortisation and depreciation	2005	2004
Opening balance	3,008	2,446
Acquisitions	2,409	562
Disposals	0	0
Closing balance	5,417	3,008
Net carrying amount	14,227	10,535

The total market value of investment property at 31 January 2006 is approximately Euros 23 million.

During 2005, Euros 1,685 thousand (Euros 1,609 thousand in 2004) of rental income on these properties has been included under the caption Sales _ Other sales and services rendered (see note 3) in the consolidated income statement.

14. RIGHTS OVER LEASED PREMISES AND OTHER INTANGIBLE ASSETS

Rights over leased premises include amounts paid to both proprietors and third parties in respect of transfer rights, access premiums or tenancy right waivers in order to lease commercial premises.

Other intangible assets include amounts paid for the registration and use of group brand names and the external cost of software applications. Details of and movement in other intangible assets during 2005 and 2004 are as follows:

	Rights over leased property	Industrial property	Software	Advances and other intangible assets	TOTAL
COST					
Balance at 01/02/2004	432,242	16.007	4.983	6.340	459.572
Acquisitions	69,016	1.159	922	529	71.626
Disposals	(1,253)	(1)	(171)	(6)	(1.431)
Transfers	2,347	0	0	(3.795)	(1.448)
Effect of movements in foreign exchange	(1,432)	8	18	0	(1.406)
Restatement due to inflation	20	0	1	0	21
Balance at 31/01/2005	500,940	17.173	5.753	3.068	526.934
Balance at 01/02/2005	500,940	17,173	5,753	3,068	526,934
Acquisitions	68,514	1,401	1,277	444	71,636
Disposals	(7,160)	0	(12)	(118)	(7,290)
Transfers	2,631	0	0	(673)	1,958
Effect of movements in foreign exchange	6,762	(4)	203	0	6,961
Balance at 31/01/2006	**571,687**	**18,570**	**7,221**	**2,721**	**600,199**
AMORTISATION					
Balance at 01/02/2004	106,196	9,779	2,969	2,007	120,951
Amortisation for the year	29,686	993	871	598	32,148
Disposals	(918)	0	(135)	(202)	(1,255)
Transfers	(1,440)	0	11	0	(1,429)
Effect of movements in foreign exchange	(681)	0	5	0	(676)
Restatement due to inflation	5	0	0	0	5
Balance at 31/01/2005	132,848	10,772	3,721	2,403	149,744
Balance at 01/02/2005	132,848	10,772	3,721	2,403	149,744
Amortisation for the year	34,826	1,082	906	504	37,318
Disposals	(4,833)	0	(5)	(202)	(5,040)
Transfers	(2,700)	0	0	0	(2,700)
Effect of movements in foreign exchange	463	(1)	63	0	525
Balance at 31/01/2006	**160,604**	**11,853**	**4,685**	**2,705**	**179,847**
IMPAIRMENT LOSSES (note 35-h)					
Balance at 01/02/2004	1,448	0	0	0	1,448
Impairment charge	12	0	0	0	12
Balance at 31/01/2005	1,460	0	0	0	1,460
Balance at 01/02/2005	1,460	0	0	0	1,460
Applications	(1,067)	0	0	0	(1,067)
Balance at 31/01/2006	**393**	**0**	**0**	**0**	**393**
NET CARRYING AMOUNT					
Balance at 31/01/2005	366,632	6,401	2,032	665	375,730
Balance at 31/01/2006	**410,690**	**6,717**	**2,536**	**16**	**419,959**

15. GOODWILL

Details of and movement in goodwill during 2005 and 2004 are as follows:

	2005	2004
Opening balance	**68,777**	**53,253**
Acquisitions	**10,983**	**15,524**
Other	**(666)**	**0**
Closing balance	**79,094**	**68,777**

Subsidiary	2005	2004
Stradivarius España S.A.	**53,253**	**53,253**
BCN Diseños, S.A. de C.V.	**14,858**	**15,524**
Young Fashion, S.p. Zo.o	**10,983**	**0**
Closing balance	**79,094**	**68,777**

Goodwill corresponding to Stradivarius Espa_a, S.A. was generated upon acquisition of this company in 1998 and is stated at its net carrying amount at 1 February 2004, the date of transition to EU-IFRS (see note 34).

Additions in 2004 comprise the acquisition of 98% of BCN Diseños, S.A. de C.V., which until then held the franchise rights to Massimo Dutti stores in Mexico.

In 2005 Inditex acquired a 51% share in the Polish company Young Fashion Sp. Z.o.o., which until then held the franchise rights to Zara in that country, and irrevocably undertook to acquire an additional 29% in February 2008. The voting rights of 80% of share capital had already been acquired by Inditex, for which it paid approximately Euros 14,582 thousand in August 2005, although legal ownership of the aforementioned 29% of shares will remain with Young Fashion Sp. Z.o.o. until the agreed date. The contribution to net profit since its incorporation into the Group and up to 31 January 2006 amounted to Euros 2,546 thousand.

Inditex granted the seller a put option on 20% of the remaining share capital, which is exercisable between April and May 2008 for a price conditional on the company's results, but with a set minimum of Euros 8 million. In the event this option is not exercised, the minority interest has a further put option on the 20% share which may be exercised as of June 2008 and which will depend exclusively on results for the year prior to that in which the option is exercised, with no set minimum. Inditex has a call option on the remaining 20% of the company, exercisable as of May 2011 for a strike price which depends exclusively on the results of the company during the year prior to that in which the option is exercised.

These acquisitions had the following effect on the GroupÅfs assets and liabilities in 2005 and 2004:

	2005 Young Fashion	2004 BCN Diseños
Property, plant and equipment	8,614	3,044
Other non-current assets	218	130
Cash and cash equivalents	580	1,397
Inventories	2,361	1,453
Other current assets	252	220
Current liabilities	(3,349)	(1,036)
non-current liabilities	(4,187)	(108)
Net identifiable assets and liabilities	4.489	5,100
Goodwill	10,983	15,524
Cost of acquisition	15,472	20,624
Amount disbursed	14,582	20,624
Cash acquired	(580)	(1,397)
Net cash outflow	14,002	19,227

Goodwill is tested for impairment, although it has not been considered necessary to recognise any amount to date (see note 35-h).

16. INVESTMENTS

Details of and movement in investments during 2005 and 2004 are as follows:

	Investment securieties	Investment ir EIG'S	Bank deposits	Loans and other credit facilities	Total
Balance at 01/02/2004	5,991	15,576	6,536	7,555	35.658
Acquisitions	225	36,405	2,010	684	39.324
Disposals	(600)	(16,420)	0	(4,492)	(21.512)
Balance at 31/01/2005	**5,616**	**35,561**	**8,546**	**3,747**	**53.470**
Balance at 01/02/2005	5,616	35,561	8,546	3,747	53,470
Acquisitions	100	0	2,455	21,246	23,801
Disposals	0	(13,383)	0	(66)	(13,449)
Transfer to current assets	0	0	0	(2,576)	(2,576)
Other	(225)	0	0	0	(225)
Balance at 31/01/2006	**5,491**	**22,178**	**11,001**	**22,351**	**61,021**

Non-current investment securities mainly correspond to a Euros 4,955 thousand stake in Banco Gallego, S.A.

¨Loans and other credit facilities¨ include an amount of Euros 20 million extended to LÅfInnominato, S.p.A., which holds 20% of the share capital of Zara Italia, S.R.L. and other subsidiaries domiciled in Italy. This credit facility is secured by a pledge over the Zara Italia, S.R.L. shares, accrues interest at a market rate and may be offset with the amounts payable in the event the reciprocal options between Inditex and the borrower are exercised (see note 6).

The investment in Economic Interest Groupings (EIGs) comprises Inditex´s shareholding in nine economic interest groupings, the activity of which is the leasing of assets managed by a separate, non-group entity which retains most of the profits and is exposed to the risks associated with this activity. These groupings have applied the fiscal incentives established in prevailing Spanish legislation (see note 24), the effect of which is shown under ¨Income tax¨ in the consolidated income statement.

17. INVESTMENTS IN ASSOCIATES

Investments in associates comprises Inditex's 39.97% stake in Fibracolor, S.A.

Movement in this caption during 2005 and 2004 is as follows:

	2005	2004
Opening balance	**7,232**	**7,612**
Loss for the year	**(192)**	**(358)**
Other	**0**	**(22)**
Closing balance	**7,040**	**7,232**

Fibracolor, S.A ia a Spanich company whose principal activity is the dyeing and printing of all types of fabrics, as well as other related finishing processes. The main shareholder are Inditex, wich holds 39,9% of the share capital, and Empresa de Promoció i Localització Industrial de Catalunya, S.A. (Eplicsa), a public company with a 25,2% stake . The Remaining shares are divided among shareholders, none of wich hold more than 7 % of share capital. Fibracolor, S.A renders services ti the Inditex group, wich represent approximately 36% of revenues for 2005 (19% in 2004).

As a result of the agreement 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 EPLICSA which represent 13.45% share capital of Fibracolor. As a result of this acquisition, Inditex will hold majority voting rights in this company. The shares will be sold at the net carrying amount at the 2006 or 2007 closing dates, as appropriate, or their net carrying amount on the dates in which EPLICSA could have freely elected to exercise its call options (31 December 2003, 2004 and 2005).

The investment in Fibracolor, S.A. has been classified as an investment in an associate, as Inditex is understood to exercise no control over this company.

A summary of the financial information of Fibracolor S.A. and its subsidiaries at the 2005 and 2004 closing dates (in thousands of Euros) is as follows:

	2005 (*)	2004
Assets	**60,694**	**69,268**
Liabilities	**37,130**	**44,738**
Net equity	**23,564**	**24,530**
Income	**29,071**	**39,163**
Net loss	**(481)**	**(524)**

(*) Unaudited figures

18. OTHER NON-CURRENT ASSETS

Details of and movement in this caption of the consolidated balance sheet during 2005 and 2004 are as follows:

	Guarantees	Other	Total
Balance at 01/02/2004	47,259	5,564	52,823
Acquisitions	16,764	3,261	20,025
Disposals	(1,793)	0	(1,793)
Loss for the year	-	(2,252)	(2,252)
Transfers	0	3,578	3,578
Exchange	(490)	0	(490)
Balance at 31/01/2005	**61,740**	**10,151**	**71,891**
Balance at 01/02/2005	61,740	10,151	71,891
Acquisitions	16,899	4,661	21,560
Disposals	(5,206)	0	(5,206)
Loss for the year	0	(619)	(619)
Transfers	134	0	134
Effects of movements in Foreign exchange	(598)	0	(598)
Balance at 31/01/2006	**72,969**	**14,193**	**87,162**

Guarantees mainly correspond to amounts extended to proprietors of leased commercial premises to ensure compliance with the conditions stipulated in the lease contract (see note 25).

19. TRADE AND OTHER PAYABLES

Details of this caption of the 2005 and 2004 consolidated balance sheets are as follows:

	2005	2004
Trade payables	**1,015,796**	**794,203**
Trade payables due to associates	**41**	**190**
Personnel	**87,703**	**78,774**
Public entities	**283,467**	**151,583**
Other current payables	**122,519**	**50,703**
Total	**1,509,526**	**1,075,453**

20. NET FINANCIAL POSITION

Details of ¨Cash and cash equivalents¨ in the consolidated balance sheets are as follows:

	2005	2004
Cash in hand and at banks	444,456	297,515
Short-team deposits	359,070	323,888
Fixed income securities	184,879	150,439
Total cash and cash equivalents	988,405	771,842

Details of group debt with banks are as follows:

	31/01/2006			31/01/2005		
	Current	Non-current	Total	Current	Non-current	Total
Loans	167,922	56,621	224,543	49,866	78,816	128,682
Credit facilities	32,799	0	32,799	95,998	6,731	102,729
Finance leases	6,755	13,302	20,057	13,370	24,969	38,339
Derivatives	0	0	0	4,389	0	4,389
Subscribed shares	0	6,176	6,176	0	7,378	7,378
Other financial debt	1,716	0	1,716	109	1,292	1,401
	209,192	76,099	285,291	163,733	119,185	282,918

At 31 January 2006, the Group has a drawdown limit of Euros 691,692 thousand on its credit facilities (Euros 482,633 thousand at 31 January 2005).

Financial debt interest is negotiated by the Group on the respective financial markets and usually consists of a monetary index plus a spread in line with the solvency of the company (parent or subsidiary) contracting the debt.

Financial debt is stated in the following currencies:

	2005
Euro	109,362
American Dollar	57,833
Other European currencies	62,965
Other American currencies	11,919
Other currencies	43,211
	285,290

The maturity of group debt with banks at 31 January 2006 and 2005 is as follows:

	2005	2004
Less than one year	209,192	163,733
Between one and five years	76,098	74,793
More than five years	0	44,392
	285,290	282,918

21. PROVISIONS

Details of and movement in this caption of the consolidated balance sheets during 2005 and 2004 are as follows:

	Pensions and similar obligations with personnel	Responsibilities	Total
Balance at 01/02/2005	3,923	27,805	31,728
Provisions made during the year	657	12,420	13,077
Provisions used during the year	(224)	(3,484)	(3,708)
Transfers	(129)	129	0
Effect of movements in foreign exchange	80	789	869
Balance at 31/01/2006	**4,307**	**37,659**	**41,966**

Provision for pensions and similar obligations with personnel

In accordance with prevailing collective labour agreements, certain group companies are obliged to pay retirement bonuses which do not constitute defined benefit plans and, accordingly, the Group is not exposed to any investment or actuarial risk. The Group has created a provision to cover the liability corresponding to the estimated accrued portion at the closing date (see note 28).

Provision for responsibilities

Given the Group´s international presence, it has certain legal, customs, tax and other contingencies. The amounts shown here correspond to current obligations from legal claims or implicit obligations deriving from past actions which include a probable outflow of resources which has been reliably estimated. At the date of preparation of these accounts, there are no litigation proceedings the final outcome of which could significantly affect the Company´s equity situation.

The directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover risks deriving from litigation proceedings, arbitration hearings and other contingencies, and do not expect any additional liabilities to arise therefrom. Given the nature of the risks, it is not possible to estimate the dates on which it may be necessary to settle any eventual liabilities.

22. OTHER NON-CURRENT LIABILITIES

Details of and movement in this caption of the consolidated balance sheets during 2005 and 2004 are as follows:

	Options with partners	Lease incentives	Non-current payables	Other	Total
Balance at 01/02/2004	164,214	29,396	11,558	5,233	210,401
Acquisitions	4,573	43,509	0	446	48,528
Changes throught profit and loss	9,736	(3,627)	-	-	6,109
Transfers of assets	-	9,113	-	-	9,113
Disposals	(57,141)	-	(10,414)	-	(67,555)
Effect of movements in foreign exchange	539	(14)	0	0	525
Balance at 31/01/2005	121,921	78,377	1,144	5,679	207,121
Balance at 01/02/2004	121,921	78,377	1,144	5,679	207,121
Acquisitions	32,221	42,537	0	8,843	83,601
Changes throught profit and loss	31,268	(6,879)	0	0	24,389
Disposals	(39,721)	0	0	0	(39,721)
Transfers to current liabilities	(67,451)	0	(1,144)	0	(68,595)
Effect of movements in foreign exchange	(432)	0	0	0	(432)
Balance at 31/01/2006	**77,806**	**114,035**	**0**	**14,522**	**206,363**

Acquisitions through profit and loss have been recognised under ¨Other operating expenses¨ (Euros 31,672 thousand in 2005 and Euros 8,563 thousand in 2004) (see note 6) and ¨Net financing revenue/costs¨ (Euros 340 thousand in 2005 and Euros 1,174 thousand in 2004) (see note 7) of the consolidated income statement.

23. CAPITAL AND RESERVES

Share capital

At 31 January 2006 and 2005, parent company share capital amounted to Euros 93,499,560 and is represented by 623,330,400 registered shares of Euros 0.15 par value each, subscribed and fully paid. All shares belong to a single class and series, have the same voting and profit sharing rights and are represented by book entries.

Inditex shares are listed on the four Spanish stock exchanges and, consequently, the Company is unaware of exactly how its share capital is held. According to public information registered with the Spanish Stock Exchange Commission, at 31 January 2006 the members of the board of directors or related companies controlled approximately 59.90% of parent company share capital, which is the same percentage as at 31 January 2005 (see note 31).

Own shares

Own shares held by the Inditex Group comprise the following:

- 41,000 own shares at 31 January 2006 (same number as at 31 January 2005) with an average acquisition cost of Euros 2.18 per share.
- 2,348,383 shares (2,517,981 at 31 January 2005) with an acquisition cost of Euros 2.93 per share, corresponding to the following operation:

At the meetings held on 20 July 2000, 19 January and 20 April 2001 the shareholders of Inditex agreed to launch a share option plan which allowed board members and management of Inditex and its group of subsidiaries to obtain option rights over a maximum of 3,018,400 ordinary Inditex shares of Euros 0,15 par value each.

In order to hedge the share option plan, Banco Bilbao Vizcaya Argentaria, S.A. subscribed 3,018,400 shares of a capital increase carried out in January 2001 and signed a call option agreement in favour of Inditex whereby the latter could acquire the shares for sale to beneficiaries in the event they exercised their option rights. This financial entity also subscribed a swap contract with Inditex in order to set the return on the investment in the Company´s shares and regulate the associated cash flows. Upon finalisation of the execution period of this plan, 2,348,383 residual shares remained, which the shareholders of Inditex at their annual general meeting may use for new share option plans for the directors of Inditex and group company personnel.

In the event that Banco Bilbao Vizcaya Argentaria, S.A. holds any residual shares on 30 January 2007, Inditex undertakes to propose to the shareholders at the first general meeting (whether ordinary or extraordinary) held after that date that a capital reduction be carried out through the redemption of any shares held by Banco Bilbao Vizcaya Argentaria, S.A. which have not been reacquired by Inditex for Euros 2.93 per share.

24. INCOME TAX

Companies whose information is incorporated in these consolidated annual accounts file tax returns on an individual basis, with the exception of Inditex, S.A. and Indipunt, S.L.

Inditex, S.A. is the parent of a group of companies which files consolidated tax returns in Spain. The consolidated fiscal group is composed of Inditex, S.A., the parent, and Spanish subsidiaries which comply with prevailing tax legislation for filing consolidated tax returns. The subsidiaries that make up the aforementioned tax group are the following:

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

Indipunt, S.L. is also the parent company of a separate fiscal group whose sole subsidiary is Jema Creaciones Infantiles, S.A.

"Income tax payable" in the consolidated balance sheet includes the liability for applicable taxes, which in turn includes, inter alia, the 2005 income tax provision, net of withholdings and payments on account made during the period. The "Trade and other payables" caption includes the liability for the taxes other than income tax.
"Trade and other receivables" in the consolidated balance sheet mainly includes the difference between VAT recoverable and VAT receivable during the year

Inditex, S.A. holds a 49% stake in nine economic interest groupings, the principal activity of which is the leasing of assets. These groupings requested from the tax authorities, and were granted, tax incentives regulated in the Fifth Additional Clause of the Revised Text on Income Tax Law.

This year, these economic interest groupings generated tax loss carryforwards which reduced the income tax expense and which Inditex has opted to apply to the taxable period in which the annual accounts are approved. This investment is considered a financing and fiscal operation, the net estimated result of which is included in income tax over its expected life. Forecast future years taxable and accounting income have raised 2005 accrued income tax by Euros 21,754 thousand, and the net impact of these investments, taking into account negative permanent differences and deductions, on the income statement through income tax is revenue of Euros 4,247 thousand (see note 16).

The income tax expense includes both current and deferred income tax. The composition is as follows:

	2005	2004
Current taxes	243,838	204,470
Deferred taxes	46,745	46,487
	290,583	250,957

A reconciliation of the income tax expense by applying the prevailing Spanish income tax rate to "Profit before tax" and the expense recorded in the consolidated income statement, and a reconciliation thereof with the net income tax expense for 2005 and 2004, is as follows:

	2005	2004
Profit before taxes	1,101,446	896,754
Income tax using the domestic corporation tax rate (35%)	385,506	313,864
Permanent differences	(11,087)	(27,395)
Effect of tax losses utilized	(6,023)	(2,278)
Effect of tax rates in foreign jurisdictions	(37,612)	(30,362)
Tax credits and deductions	(83,077)	(47,971)
Foreign taxes	11,422	7,591
Other concepts	31,454	37,508
Income tax expense	**290,583**	**250,957**
Temporary differences	(46,745)	(46,421)
Net income tax	**243,838**	**204,536**

Positive permanent differences mainly correspond to non-deductible expenses, charges to non-deductible provisions and the portion of the contribution of rights to use certain assets to a subsidiary attributable to taxable income.

Negative permanent differences basically correspond to tax loss carryforwards generated by the economic interest groupings for the purposes of fiscal transparency.

Temporary differences have given rise to the corresponding deferred tax assets and liabilities, movement in which during 2005 and 2004 is as follows:

As permitted by prevailing legislation, companies comprising the consolidated Spanish Group have, in general, applied tax credits and deductions for double taxation and investments. Although these companies have not yet filed their income tax returns for 2005, deductions and credits of Euros

Deferred tax liabilities:	2005	2004
Lease operations	6,014	8,103
Intragroup operations	62,854	53,967
Amortisation	21,846	15,703
Reinvestment of profits	5,690	5,895
Other	10,331	7,123
Total	106,735	90,791

Deferred tax assets:	2005	2004
Provisions	18,132	19,293
Amortisation	23,408	17,795
Tax losses	24,286	8,590
Other	11,890	15,689
Total	77,716	61,367

83,077 thousand (Euros 47,971 thousand in 2004) have been included in the income tax provision, which is shown in the accompanying annual accounts.

At 31 January 2006, the Group has tax losses of Euros 75,796 thousand which may be offset against future profits, the majority of which may be utilised indefinitely. Deferred tax assets in respect of tax losses are only recognised when it is probable that future taxable profits will be available against which the asset can be utilised.

Spanish group companies have open to inspection by the tax authorities all main applicable taxes since 31 January 2001. The directors do not expect that any significant additional liabilities affecting group equity or results would arise in the event of inspection.

25. OPERATING LEASES

Most of the commercial premises from which the Group carries out its retail distribution activities are leased from third parties. These rental contracts are classified as operating leases since, irrespective of the lease term and the amounts paid or due to the owners of the leased premises, there is no transfer of risks and benefits incidental to ownership thereof.

Due to the presence of the Group in different countries, the variety of legislation governing rental contracts, the diverse nature and economic status of the owners and other factors, there is a large number of clauses regulating rental contracts.

In many cases the lease contracts simply establish a fixed rental payment, normally made on a monthly basis and reviewed in accordance with a price index to take into account the effect of inflation. In other cases the amounts payable to the lessor are a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may have minimum guaranteed amounts or certain rules of calculation attached. In some countries, lease contracts are subject to periodic indexing to market rates, which on occasion are carried out when this would entail an increase in rent, but not when market rates are lower. On occasion, staggered rental payments are agreed, which means it is possible to reduce cash outflows during the initial years of commercial premises use, even if the expense is recognised on a straight-line basis (see note 35-r). Grace periods are also frequently established in order to avoid having to pay rent when premises are being reformed and prepared for opening.

Rental contracts also sometimes require lessees to pay certain amounts to the lessor, which, from an economic perspective, could be considered advance rental payments, or to the previous tenants so that they waive certain rights or transfer them to the Group (transfer rights or different types of indemnities). These amounts are recognised as non-current assets (see note 14) and are generally amortised over the term of the lease contract.

On certain occasions, shopping centre developers or the proprietors of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are considered to be lease incentives (see note 22) and are recognised in the income statement over the lease term.

A wide variety of situations also apply to the duration of lease contracts, which generally have an initial term of between 15 and 25 years. However, legislation in certain countries or the situations in which lease contracts are typically used means the duration of contacts is sometimes shorter. In some countries, legislation or the lease contracts themselves protect the right of the lessee to terminate the contract providing sufficient advance notice (e.g. three months) is given. In other cases, however, the Group is obliged to comply with the full term of the contract, or a significant part thereof. Some contracts combine these undertakings with termination clauses that may only be exercised at certain times over the term of the contract (e.g. every five years or at the end of the tenth year).

Details of operating lease expenses are as follows:

	2005	2004
Minimun instalments	444,315	358,455
Contingent instalments	132,726	109,646
	577,041	468,101
Sub-leasing instalments	4,186	2,833

Future minimum payments under non-cancellable operating leases are as follows:

	2005			2004		
	Less than 1 year	Between 1 and 5 years	More than 5 years	Less than 1 year	Between 1 and 5 years	More than 5 years
Lease payments	396,123	788,500	787,981	386,548	720,266	715,624

26. FINANCE LEASES

The Group has contracted finance leases mainly for commercial premises and logistics centres. The corresponding leased assets are recorded under property, plant and equipment in the consolidated balance sheet (see note 12), while the related debt is recognised as a financial liability (see note 20). The net carrying amount of items acquired under lease financing and the future amounts payable until the leases expire are as follows:

	2005	2004
Cost of the asset	75,968	84,758
Accumulated depreciation	(14,294)	(13,950)
	61,674	70,808

	Minimum payments		Present value of minimum payments	
	2005	2004	2005	2004
Less than one year	8,166	8,756	7,505	7,898
Between one and five years	18,066	25,311	15,734	22,396
More than five years	3,475	4,396	3,227	4,071
	29,708	38,463	26,467	34,365

27. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk management policies

The Group's activities are exposed to certain types of financial risk: market risk (including exchange rate risk), credit risk, liquidity risk and interest rate risk on cash flows. The Group's risk management policy centres on the uncertainty of financial markets and attempts to minimise potential adverse effects on the Group's profitability through the use of certain financial instruments as described below.

● Exchange rate risk

The Group operates in an international environment and, accordingly, is exposed to exchange rate risk, particularly as regards the US Dollar, the Mexican Peso, the Japanese Yen and the Pound Sterling. Exchange rate risk arises on future commercial transactions, assets and liabilities recorded in foreign currencies and net investments in foreign businesses.

In order to control the exchange rate risk on future commercial transactions and assets and liabilities recorded in currencies other than the Company's operating currency, group companies use forward exchange contracts. The Group manages each currency's net position through external foreign currency contracts or other financial instruments.

Although the Group has not applied this year the hedge accounting established under EU-IFRS, the Group hedges expected transactions, particularly imports and exports, for each upcoming season.

The Group has various investments in foreign businesses, the net assets of which are exposed to exchange rate risk which is managed in line with group management policies.

● Credit risk

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

● Liquidity and interest rate risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows of normal operations. In the event the Group requires financing, either in Euros or in other currencies, the Group reverts to loans, credit facilities or other types of financial instruments (see note 20).

Interest rate fluctuations affect the fair value of assets and liabilities which accrue a fixed rate of interest, as well as future cash flows and liabilities indexed to a variable interest rate. Group exposure to this risk is not significant for the reasons mentioned above.

Financial instruments

The Group engages in derivative operations, mainly exchange rate derivatives, although for EU-IFRS purposes it has not considered them this year to be hedging operations. The most widely used derivatives are forward contracts and options.

Below are details of derivatives contracted by the Group and their fair value at 31 January 2006:

All of the above operations mature in less than 12 months.

Type of operation	Currency purchase	Nominal purchase (foreign currency thousands)	Currency sale	Fair value (euros thousand)
Forward currency purchases	EUR	42	GBP	172
	USD	231	EUR	1,140
European options	USD	23	EUR	451
Asian options	GBP	33	EUR	351
	MXP	693	USD	(401)

The fair value valuations of exchange rate derivatives recorded under "Net financing revenue/costs" in the 2005 consolidated income statement amount to Euros 1,729 thousand (expense of Euros 4,389 thousand at 31 January 2004).

28. EMPLOYEE BENEFITS

Defined benefit or contribution plan obligations

In general, the Group has no defined benefit or contribution plan obligations with its employees. However, under prevailing labour legislation in certain countries, accident, illness, retirement and other insurance policies are contracted, to which employees sometimes contribute. Furthermore, in some countries employees receive a share of company profits, the liability for which is recognised under "Trade and other receivables" and "Other non-current liabilities" in the consolidated balance sheet. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

As described in note 21, in accordance with collective labour agreements, certain group companies are obliged to pay retirement bonuses which do not constitute defined benefit plans and, accordingly, the Group is not exposed to any investment or actuarial risk. The Group has created a provision to cover the liability corresponding to the estimated portion accrued at the closing date, which amounts to Euros 2,034 thousand at 31 January 2006.

Share-based remunerations

As mentioned in note 23, at the meetings held on 20 July 2000, 19 January and 20 April 2001 the shareholders of Inditex agreed to launch a share option plan which allowed board members and management of Inditex and its group of subsidiaries to obtain option rights over a maximum of 3,018,400 ordinary Inditex shares of Euros 0.15 par value each. Each option exercised entitled the holder to one Inditex share. During 2001, option contracts were signed with a group of board members and management whereby they could have been awarded a maximum of 1,382,913 share options. The number of options to be awarded depended on the revaluation of Inditex shares on the organised stock market in 2001, 2002 and 2003. The strike price of the options was Euros 2.93 and the exercise period commenced two years after each of the periods in which the revaluation was calculated.

As the exercise of these options corresponded to share option plans accrued in previous years, no amounts were accrued in 2005 and 2004 as a result of group employee share option plans.

29. INTEREST IN JOINT VENTURES

Inditex has a 50% share in the group formed by the parent Tempe, S.A. and its subsidiaries Tempe México, S.A. de C.V., Tempe Brasil, S.A. and Tempe Logistica, S.A. The principal activity of these companies is the design, supply and distribution of footwear to Inditex Group companies, their main customer. The assets, liabilities, income and expenses of this joint venture are as follows:

	2005	2004
Non-current assets	10,114	10,585
Current assets	68,029	53,185
Non-current liabilities	(774)	(2,525)
Current liabilities	(46,545)	(41,509)
Net assets	**30,824**	**19,736**
Revenues	18,484	13,475
Expenses	(146,648)	(126,825)

30. PROPOSED DISTRIBUTION OF PARENT COMPANY PROFIT

The directors will propose that the 2005 net profit of the parent company, which amounts to Euros 520,669 thousand, be distributed as follows: Euros 417,631 thousand as dividends and Euros 103,038 thousand to voluntary reserves.

31. REMUNERATION OF THE BOARD OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

Remuneration of the board of directors

Remuneration received by the board of directors and top management during 2005 is shown in the section on transactions with related parties.

As in 2004, the Group has no commitments in respect of pension plans or life insurance schemes.

Other information concerning the board of directors

According to the public registers of the Spanish Stock Exchange Commission (CNMV), at 31 January 2006 the members of the board of directors held the following direct and indirect investments in the share capital of Inditex:w

Board member, manager or representative	Number of direct shares	Number of indirect shares	% of share capital
Mr. Amancio Ortega Gaona	63	369,600,000[1]	52.294%
Mr. Pablo Isla Álvarez de Tejera	25,100	-	0.004%
Mr.. Carlos Espinosa de los Monteros Bernaldo de Quirós	34,385	-	0.006%
Mr. Francisco Luzón López	11,531	565[2]	0.002%
Ms. Irene R. Miller	30,239	-	0.005%
Mr. Juan Manuel Urgoiti López de Ocaña	27,739	-	0.004%
Mr.. José Luis Vázquez Mariño	3,000	-	0.000%
Mr. Antonio Abril Abadín	76,015	-	0.012%
GARTLER, S.L.	369,600,000	-	59.294%
Total			**59.327%**

[1] Through Gartler, S.L.
[2] Through Cañabara, S.A.

As required by article 127 ter of the Companies Act, introduced by Law 26 of 17 July 2003, wich modities the Stock Market Law 24 of 28 July 1988 and the Revised Text of the Companie Act to underpin the transparency of publicly listed companies, below is a list of companies with a statutory activity which is identical, similar or complementary to that of Inditex and in which members of its board of directors hold investments or management positions.

Name of board member	Company tax number	Company	% ownership	Post
Mr. Pablo Isla Álvarez de Tejera	A78276854	Bershka BSK España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15052160	Choolet, S.A.	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15311368	Denllo, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15037393	Confecciones Fíos, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15018476	Confecciones Goa, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15643620	Glencare, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A78115201	Grupo Massimo Dutti, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15155625	Hampton, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15137318	Kenner, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15049299	Nikole, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15026347	Oysho España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15108673	Pull&Bear España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15022585	Samlor, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15355290	Sircio, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15568165	Stear, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A60348240	Stradivarius España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15234065	Tempe, S.A.	0%	Vice-Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15058324	Trisko, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15022510	Zara España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15121049	Zintura, S.A.	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	ZME920824KM3	Zara México, S.A. de C.V.	0%	Board member
Mr. Antonio Abril Abadín	A78276854	Bershka BSK España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A78111671	Bershka Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15114424	Comditel, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15052160	Choolet, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15311368	Denllo, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15037393	Confecciones Fíos, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15018476	Confecciones Goa, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15643620	Glencare, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15121031	Goa Invest, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A78115201	Grupo Massimo Dutti, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15155625	Hampton, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	G15632003	Inditex Cogeneración, A.I.E.	0%	Joint administrator
Mr. Antonio Abril Abadín	A80317043	Invercarpro, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15137318	Kenner, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A08478448	Kettering, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15388366	Kiddys Class España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15334725	Lefties España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	B83077594	Liprasa Cartera, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15569890	Massimo Dutti Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15049299	Nikole, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15346166	Often Textil, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15026347	Oysho España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15327612	Oysho Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15497225	Plataforma Europa, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A70020714	Plataforma Logística de León, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15108673	Pull&Bear España, S.A.	0%	Secretary, board member
Mr. Antonio Abril Abadín	A15458128	Pull&Bear Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15022585	Samlor, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15355290	Sircio, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15568165	Stear, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A60348240	Stradivarius España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15234065	Tempe, S.A.	0%	Vice-Secretary, board member
Mr. Antonio Abril Abadín	A15058324	Trisko, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A08447427	Zara, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15022510	Zara España, S.A.	0%	Secretary, board member

Name of board member	Company tax number	Company	% ownership	Post
Mr. Antonio Abril Abadín	A15710965	Zara Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15121049	Zintura, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	450661802	Zara Belgique, S.A.	0%	Board member
Mr. Antonio Abril Abadín	895218121	Zara Canada, S.A.	0%	Board member
Mr. Antonio Abril Abadín	-	Zara Chile, S.A.	0%	Board member
Mr. Antonio Abril Abadín	24209717	Zara Danmark, S.A.	0%	Board member
Mr. Antonio Abril Abadín	94352564	Zara Hellas, S.A.	0%	Board member
Mr. Antonio Abril Abadín	803910010B01	Zara Vastgoed, B.V.	0%	Board member
Mr. Antonio Abril Abadín	8753489B01	Zara Holding, B.V.	0%	Supervisory Director
Mr. Antonio Abril Abadín	-	Zara Norge, S.A.	0%	Board member
Mr. Antonio Abril Abadín	556569857701	Zara Sverige, Ab	0%	Board member
Mr. Antonio Abril Abadín	548644	Zara Suisse, S.A.R.L.	0%	Board member
Mr. Antonio Abril Abadín	213950900014	G.Zara Uruguay, S.A.	0%	Board member
Mr. Antonio Abril Abadín	30536946-1	Zara Venezuela, S.A.	0%	Board member

Furthermore, and in accordance with the above-mentioned law, no members of the board of directors carry out or have performed any activities in 2005 in companies with a statutory activity which is identical, similar or complementary to that of Inditex.

Transactions with related parties

The Group maintains relations with related parties, such as subsidiaries, joint ventures and associates, details of which are shown in Appendix I to the consolidated annual accounts, as well as with significant or controlling shareholders, members of the board of directors of Inditex and management.

Operations between Inditex and its subsidiaries, and the Group's proportion of operations with joint ventures, form part of regular activities, have been eliminated in the consolidation process and are not shown in this note.

Following is shown the amount of operations between Inditex and joint ventures or associates which have not been eliminated in the consolidation process as these are integrated by the proportional or equity method.

	Thousand of euros	
Entity	2005	2004
Associates	2,530	8,721
Joint Ventures	138,851	118,602

Details operations with significant shareholders, the members of the board of directors and management are as follows:

Significant shareholders:

According to the information in the public registers of the Spanish Stock Exchange Commission, Mr. Amancio Ortega Gaona, through Gartler, S.L., holds 59.294% of Industria de Diseño Textil, S.A. and is, therefore, the controlling shareholder of the Inditex Group. During 2005, operations carried out by the Inditex Group with the controlling shareholder, or with persons or companies related thereto, are as follows:

		Amount (thousands of euros)	
Nature of the relationship	Type of operation	2005	2004
Contractual	Asset leasing	(5,739)	(6,054)
Contractual	Works and lease contracts	8,608	3,014

According to the table above, the Inditex Group has earned income on transactions with persons or companies related to the controlling shareholder amounting to Euros 8,608 thousand. These transactions correspond mainly to construction works performed by the group company Goa-Invest, S.A., which were carried out under market conditions.

Various group companies have leased commercial premises belonging to companies related to the controlling shareholder. The majority of these lease contracts were signed prior to 1994 and mature between 2014 and 2016. According to the table above, lease payments made by the Group on the aforementioned premises in 2005 amounted to Euros 5,739 thousand.

Members of the Board of Directors and Management:
In addition to remunerations and severance indemnities referred to in the corresponding sections, the Group extended loans and advances to directors and management in 2005 amounting to Euros 708 thousand, which have been included under the caption "Trade and other receivables" in the consolidated balance sheet at 31 January 2005, and which were repaid in full during 2005.

Total remunerations and indemnities received by Inditex board members and management during 2005 are as follows:

	Board of directors	Management
Remunerations	3,287	9,466
Indemnities	3,161	3,524
Share options	-	-

Total remunerations and indemnities received by Inditex board members and management during 2004 are as follows:

	Board of directors	Management
Remunerations	5,127	8,887
Indemnities	3,200	-
Share options	932	843

32. EXTERNAL AUDITORS

Details of fees and expenses accrued by KPMG International (main auditor) and associated firms in relation to services rendered to consolidated companies are as follows:

	2005	2004
Audit services	3,385	2,885
Other services	398	388
Total	3,783	3,273

In addition to the audit of the Inditex Group annual accounts, audit services rendered by KPMG International also include a limited review of the quarterly financial statements of certain group companies.

Non-audit services, mainly relating to corporate social responsibility, include inspection of suppliers´ workshops and factories and other services rendered to certain foreign group subsidiaries.

According to information received from the auditors, fees received from the Inditex Group by KPMG International or associated firms do not exceed 0.029% of total revenue.

33. SUBSEQUENT EVENTS

Acquisition of the Zara franchise in Russia

On 31 January 2006, Inditex reached an agreement to acquire ZAO Stockmann Krasnoselskaya, a company which operates the franchise for Zara stores in Russia. This acquisition must take place before 31 May 2006, once the corresponding due diligence procedures have been carried out and subject to approval from the Russian competition authorities. Inditex will have to pay Euros 41.5 million, net of financial and non-operating debts. At 31 January 2006, this company operated six stores.

Increase in investment in German stores

As described in note 6, Inditex reached an agreement in March 2006 to acquire 28% of the share capital of Zara Deutschland GmbH, a company that operates Zara stores in Germany and which is owned by Inditex and Otto GMBH and Co. When this agreement is exercised, subject to approval from the German competition authorities, Inditex will increase its shareholding from 50% at 31 January 2006 to 78%. On the same date, the Group agreed to acquire the remaining 50% of the rest of the subsidiaries domiciliated in Germany (see note 22).

Agreement for the incorporation of Zara Korea

Subsequent to the closing date, Inditex reached an agreement with Lotte Shopping Co, Ltd. to set up operations in Korea during 2006. The agreement establishes that Lotte will hold a minority interest of 20% in Zara Korea, over which Inditex will have a call option. At the same time Lotte will hold a put option over its entire interest. The options will not have any premium and the strike price will mainly depend on the results of the subsidiary.

34. INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are the Inditex GroupÅfs first consolidated annual accounts prepared in accordance with the International Financial Reporting Standards adopted by the European Union in conformity with EC Regulation number 1606/2002 of the European Parliament and the Council of Europe.

The accounting policies set out in note 35 have been applied in the preparation of the consolidated annual accounts for the year ended 31 January 2006, the comparative information presented in these consolidated annual accounts for the year ended 31 January 2005 and in the preparation of an opening IFRS balance sheet at 1 February 2004 (date of transition). Accordingly, in preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in annual accounts prepared by the board of directors in accordance with its former basis of accounting (Spanish GAAP) and approved by the shareholders at the annual general meetings.

The transition from Spanish GAAP to EU-IFRS involves retrospective application of these principles, except in the following cases where the Group has opted to apply the exemptions set out in IFRS:

- Business combinations which occurred prior to 1 February 2004 have not been restated and goodwill recorded under Spanish GAAP at that date has been maintained and tested for impairment.

- Translation differences generated prior to 1 February 2004 have been taken to reserves.

EU-IFRS transition adjustments can be classified under the following categories:

- Adjustments which affect the recognition and measurement of assets and liabilities when these criteria differ between EU-IFRS and Spanish GAAP.

- Presentation and classification changes in balance sheet and income statement entries.

A summary of the impact of the main valuation adjustments on net equity, net of the tax effect, together with an explanation thereof, is as follows:

	Equity at transition date	Profit 2004	Equity at at 31/01/2005
Spanish GAAP	**2,105,947**	**628,130**	**2,502,692**
Amortisation of goodwill	0	12,948	12,948
Purchase option over 9.95% of Stradivarius	(13,593)	0	(16,103)
Purchase options in Germany, Japan, Italy and Mexico	(114,969)	(7,465)	(122,036)
Straight-line recognition of rent	(1,898)	(2,722)	(4,581)
Own shares	(8,820)	(815)	(7,378)
Asset impairment	(6,927)	9,326	2,399
Lease incentives	(248)	(1,048)	(1,298)
Establishment costs and deferred expenses	(6,468)	142	(6,296)
Exchange gains	376	(328)	125
Measurement of derivatives	(3,037)	283	(2,754)
Presentation of minority interest	27,217	0	35,582
Total adjustments	**(128,367)**	**10,321**	**(109,392)**
International Financial Reporting Standards (IFRS)	1,977,580	638,451	2,393,300

VALUATION ADJUSTMENTS

The main valuation adjustments are as follows:

Amortisation of goodwill

As of the transition date, goodwill is no longer amortised but tested regularly for impairment. The amount shown in the opening balance sheet corresponds to the net carrying amount of goodwill under the accounting principles used prior to the transition date.

This adjustment has an impact of Euros 12,948 thousand on 2004 profit and equity, but does not affect the opening balance sheet.

Reciprocal call/put options

As described in notes 6 and 22, at the transition date the Group had call options on investments held by partners in certain subsidiaries, which in turn had reciprocal sales options. This is the case for a percentage of shares in Stradivarius España, S.A. and certain subsidiaries domiciled in Germany, Italy, Japan and Mexico.

According to the economic substance of the transaction, reciprocal call/put options with similar strike prices should be treated as a deferred acquisition of the investments which constitute the underlying asset. Consequently, the Inditex Group has control over these companies and should consolidate all their assets, liabilities and results, and recognise a liability for the estimated strike price of the options, any variations in which are taken to the income statement. Equity or results attributable to minority interests are therefore not recognised, nor is goodwill recorded when the options are exercised, as this involves the settlement of a liability previously recognised in the consolidated balance sheet.

The adjustment in respect of Stradivarius España, S.A. has reduced consolidated net equity by Euros 16,103 thousand and Euros 13,593 thousand at 31 January 2005 and the transition date, respectively, but does not affect profit for 2004.

The adjustment corresponding to the remaining companies has reduced equity by Euros 122,036 thousand and Euros 114,969 thousand at 31 January 2005 and the transition date, respectively, and profit for 2004 by Euros 7,465 thousand.

Straight-line recognition of rent

Certain lease contracts for commercial premises in which the Group carries out its activity provide for grace periods or staggered rent during the lease period (see note 25). Under Spanish GAAP, the lease expense was recorded as it was incurred in line with the specific conditions for each period. Under EU-IFRS, operating lease instalments are recognised on a straight-line basis over the lease period, irrespective of grace periods or staggered rent.

This adjustment has reduced equity by Euros 4,581 thousand and Euros 1,898 thousand at 31 January 2005 and the transition date, respectively, and net profit for 2004 by Euros 2,722 thousand.

Share call options

As described in note 23, Inditex has a call option on Inditex shares. Under EU-IFRS, this call option subscribed with a financial entity should be recognised as a financial liability, and the shares which constitute the underlying asset should be recorded as own shares by reducing consolidated net equity.

Unlike the previous accounting treatment, the dividends on these shares do not reduce the financial expense of the operation.

This adjustment has reduced equity by Euros 7,378 thousand and Euros 8,800 thousand at 31 January 2005 and the transition date, respectively, and net profit for 2004 by Euros 815 thousand.

Asset impairment

In the 2004 annual accounts prepared under Spanish GAAP, the Group recognised an impairment loss of Euros 9.3 million on certain assets in which the discounted cash flows did not exceed the value of the assets, which meant a portion of the investment would be irrecoverable. As a result of the impairment test carried out under EU-IFRSs, this loss should have been recognised prior to the transition date for an amount of Euros 6.9 million. Part of the remainder of the provision under Spanish GAAP does not strictly comply with the impairment requirements established in EU-IFRS, and Euros 2.4 million was therefore reversed in the opening balance sheet.

The corresponding impact has been an increase of Euros 2,399 thousand in consolidated net equity at 31 January 2005, a reduction in consolidated net equity of Euros 6,927 thousand at the transition date and an increase in net profit for 2004 of Euros 9,326 thousand.

Lease incentives

As described in note 25, the Group receives contributions from the owners of certain buildings in which it carries out its activities. Under Spanish GAAP, these contributions are deferred and recognised as income over the useful lives of the related assets as a reduction in the lease expense.

According to EU-IFRS, these contributions should be considered lease incentives and deferred and recognised as income over the lease period as a reduction in the lease expense.

This adjustment has reduced consolidated net equity by Euros 1,298 thousand and Euros 248 thousand at 31 January 2005 and the transition date, respectively, and net profit for 2004 by Euros 1,048 thousand.

Establishment costs and deferred expenses

Under Spanish GAAP, certain establishment costs and deferred expenses are stated at cost less amortisation, which is generally calculated on a straight-line basis over a period of five years.

In accordance with EU-IFRS, these costs are expensed as they are incurred.

These adjustments have reduced net consolidated equity by Euros 6,296 thousand and Euros 6,468 thousand at 31 January 2005 and the transition date, respectively, and increased net profit for 2004 by Euros 142 thousand.

Translation differences

Under Spanish GAAP, foreign currency transactions were accounted for in euros at the rates of exchange prevailing at the transaction date and adjusted at year end to the closing rate. Exchange gains or losses on foreign currencies held by the Company were taken to profit or loss, as appropriate, while exchange gains or losses arising on the translation of balances receivable and payable to the closing rate were classified according to maturity and currency and deferred and expensed, respectively.

According to EU-IFRS, exchange gains are also taken directly to profit and loss.

The corresponding impact has been an increase of Euros 125 thousand and Euros 376 thousand in consolidated net equity at 31 January 2005 and the transition date, respectively, and a reduction in net profit for 2004 of Euros 328 thousand.

Measurement of derivatives

The Group carries out certain financial operations (principally options and forward purchases of foreign currencies) to hedge a portion of imports and exports carried out in foreign currencies. Under Spanish GAAP, the gains or losses on these operations were taken to income or expense when the instruments matured.

The Group has opted not to apply hedge accounting as defined under EU-IFRSs. Accordingly, derivative financial instruments are recognised in the balance sheet at fair value through profit and loss.

This adjustment has resulted in a reduction of Euros 2,754 thousand and Euros 3,037 thousand in consolidated net equity at 31 January 2005 and the transition date, respectively, and an increase of Euros 284 thousand in net profit for 2004.

Presentation of minority interest

Under Spanish GAAP, minority interests are shown under liabilities, whereas according to EU-IFRS they should be presented in the consolidated balance sheet under equity and separate from shareholders'equity attributable to the parent company.

This reclassification has entailed an increase in consolidated net equity of Euros 35,582 thousand at 31 January 2005 and Euros 27,217 thousand at the transition date.

CHANGES IN PRESENTATION AND CLASSIFICATION OF ACCOUNTING ENTRIES

The main changes in presentation and classification of accounting entries are as follows:

Sales of fabric to garment manufacturing centres

Under Spanish GAAP, net sales include sales of fabric to garment manufacturing centres with a repurchase commitment for the finished product. According to EU-IFRS, these sales should not be recognised as income, as the substantial risks have not been transferred to the correspon-ding suppliers.

The impact on 2004 has been a reduction of Euros 154,959 thousand in net sales and cost of goods sold, with no effect on equity or profit.

Extraordinary income/expense

The income statement under EU-IFRS does not contain extraordinary items and, therefore, the corresponding amounts recorded in the consolidated income statement under Spanish GAAP have been reclassified to other captions according to their nature.

This change in presentation has no effect on 2004 equity or profit.

The effect of the transition from Spanish GAAP to EU-IFRS on the opening balance sheet, the 2004 balance sheet and the 2004 income statement is as follows:

	1 February 2004			31 January 2005		
	Spanish GAAP	*Transition effect*	*EU-IFRS*	Spanish GAAP	*Transition effect*	*EU-IFRS*
CURRENT ASSETS	**1,320,946**	**(13,589)**	**1,307,357**	**1,582,042**	**(20,329)**	**1,561,713**
Cash and cash equivalents	496,365	571	496,936	773,260	(1,418)	771,842
Trade and other payables	328,856	(25,109)	303,747	268,415	(28,380)	240,035
Inventories	486,440	4,115	490,555	514,041	3,829	517,870
Income tax receivable	0	0	0	14,064	0	14,064
Other	9,285	6,834	16,119	12,262	5,640	17,902
NON-CURRENT ASSETS	**2,189,406**	**51,088**	**2,240,494**	**2,627,129**	**24,024**	**2,651,153**
Establishment expenses	528	(528)	-	567	(567)	-
Property, plant and equipment	1,588,169	110,384	1,698,553	1,892,538	109,613	2,002,151
Investment property	11,097	0	11,097	10,535	0	10,535
Rights over leased assets	319,671	4,925	324,596	364,875	1,757	366,632
Parent company shares	89	(89)	-	89	(89)	-
Other intangible assets	93,273	(80,698)	12,575	78,432	(69,334)	9,098
Goodwill	53,253	0	53,253	98,498	(29,721)	68,777
Investments	64,498	(44,416)	20,082	82,890	(29,420)	53,470
Investments in associates	23,188	(15,576)	7,612	42,793	(35,561)	7,232
Deferred expenses	17,902	(17,902)	-	21,463	(21,463)	-
Deferred tax assets	17,738	26,589	44,327	34,449	26,918	61,367
Other non-current assets	0	68,399	68,399	0	71,891	71,891
TOTAL ASSETS	**3,510,352**	**37,499**	**3,547,851**	**4,209,171**	**3,695**	**4,212,866**
CURRENT LIABILITIES	**1,092,711**	**8,586**	**1,101,297**	**1,368,854**	**3,501**	**1,372,355**
Trade and other receivables	1,010,316	2,608	1,012,924	1,074,941	512	1,075,453
Financial debt	81,492	5,978	87,470	160,744	2,989	163,733
Income tax payable	0	0	0	133,169	0	133,169
Other	903	0	903	0	0	0
CURRENT NON-LIABILITIES	**284,477**	**184,497**	**468,974**	**302,043**	**145,168**	**447,211**
Financial debt	156,568	15,070	171,638	10,346	11,839	119,185
Deferred tax		63,943	63,943	79,705	9,472	89,177
Provisions	23,079	(87)	22,992	31,932	(204)	31,728
Other non-current liabilities	75,167	135,234	210,401	6,577	200,544	207,121
Deterred income	29,663	(29,663)	-	76,483	(76,483)	-
MINORITY INTEREST	**27,217**	**(27,217)**	**-**	**35,582**	**(35,582)**	**-**
NET EQUITY	**2,105,947**	**(128,367)**	**1,977,580**	**2,502,692**	**(109,392)**	**2,393,300**
Net equity attributable to the parent	2,105,947	(139,338)	1,966,609	2,502,692	(126,614)	2,376,078
Net equity attributable to minority interest		10,971	10,971	0	17,222	17,222
TOTAL LIABILITIES	**3,510,352**	**37,499**	**3,547,851**	**4,209,171**	**3,695**	**4,212,866**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 JANUARY 2005

	Spanish GAAP	Transition effect	EU-IFRS
Revenue	5,670,411	(101,767)	5,568,644
Cost of merchandise	(2,636,165)	152,724	(2,483,441)
GROSS PROFIT	**3,034,246**	**50,957**	**3,085,203**
Operating expenses	(1,794,532)	(54,732)	(1,849,264)
Other operating expenses	0	(8,563)	(8,563)
OPERATING PROFIT (EBITDA)	**1,239,714**	**(12,338)**	**1,227,376**
Amortisation and depreciation	(314,494)	9,076	(305,418)
OPERATING PROFIT (EBIT)	**925,220**	**(3,262)**	**92,958**
Net financing costs	(22,543)	(2,303)	(24,846)
Equity accounting losses	(16,491)	16,133	(358)
PROFIT BEFORE TAX	**886,186**	**10,568**	**896,754**
Income tax	(247,955)	(3,002)	(250,957)
PROFIT AFTER INCOME TAX	**638,231**	**7,566**	**645,797**
Profit attributable to minority interest	(10,101)	2,755	7,346
PROFIT FOR THE PERIOD	**628,130**	**10,321**	**638,451**

35. SELECTED ACCOUNTING POLICIES

a) Foreign currency transactions

Foreign currency transactions are translated to euro using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement as financial income/expenses.

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including additional costs incurred until the asset enters into operation, less accumulated depreciation and any impairment losses or depreciation which should be recognised (see note 35-h).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Description	Useful lives
Buildings	25 to 50
Leasehold improvements, machinery and furniture	7 to 13
Other	4 to 13

The replacement or renewal of complete items which increase the useful life of an asset or improve its economic capacity are recorded as an increase in the value of the asset, while items replaced or renewed are derecognised.

Repair and maintenance costs are recognised in the income statement as an expense as incurred.

c) Rights over leased assets

Rights over leased assets include the cost of transfer rights, access premiums or tenancy right waivers paid to the proprietors and former tenants of commercial premises.

Rights over leased assets are recognised at cost of acquisition. Subsequent to initial recognition, they are stated at cost less accumulated amortisation and any impairment losses and are amortised over the term of the lease contract, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

d) Other intangible assets

(1) Industrial property is stated at cost of acquisition or usufruct, or at the cost of registering the items developed by the Group, and is amortised on a straight-line basis over a maximum period of ten years.

(2) Software is stated at cost and amortised on a straight-line basis over the five-year period of expected use.

e) Investments

Financial instruments which represent less than 20% of share capital are stated at the lower of amortised cost and fair value through charges to the corresponding provisions.

f) Investment property

Investment properties are assets held to generate rental income, capital appreciation or both, and are stated at cost of acquisition less accumulated depreciation and any impairment losses or depreciation which should be recognised. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets.

Details of the market value of investment properties are shown in note 13.

g) Goodwill

Goodwill on acquisitions subsequent to 1 February 2004 represents the difference between the cost of acquisition and fair value of the net identifiable assets acquired, while goodwill on acquisitions prior to that date, on which the Group underwent the transition to EU-IFRS, is recognised at its net carrying amount at the time in accordance with Spanish accounting principles. Following EU-IFRS, goodwill is not amortised but tested regularly for impairment (see note 15).

h) Asset impairment

The Group systematically tests for impairment consolidated assets which are not considered biological assets, financial assets, inventories, deferred tax assets and non-current assets classified as held for sale, in order to determine whether the carrying amount exceeds the recoverable value (impairment). In order to do this, the Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances such as the performance of commercial premises, operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full.

The recoverable amount of goodwill or assets with indefinite useful lives is estimated at the closing date. Upon transition to EU-IFRS, goodwill was tested for impairment, even though there were no indications that impairment had occurred, and remained unchanged. Impairment testing is carried out at least once a year.

Calculation of recoverable amount

The recoverable amount of assets is the greater of fair value less selling costs and value in use. Value in use takes into account expected future cash flows deriving from the use of the asset, forecast variations in the amount or distribution of the cash flows, the time value of money, the risks specific to the asset and other current market assessments.

The recoverable amount is calculated for individual assets unless they do not generate largely independent cash flows, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs

Based on actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash generating units, although these basic units can be aggregated to chain-country level, or even to all the companies located in the same country. Group assets which are not clearly assignable under this scheme (for example industrial or logistical assets) are treated separately within the context of this general policy according to their specific nature.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Reversals of impairment

Impairment losses in respect of goodwill are not reversed in subsequent years. For assets other than goodwill, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The reversal of an impairment loss in a cash generating unit is distributed among its assets, except for goodwill, which is distributed in accordance with its carrying amount and taking into account the limitation set out in the previous paragraph.

i) Trade and other receivables

Trade and other receivables are recognised at fair value. Subsequent to initial recognition, they are stated at amortised cost in accordance with the effective interest rate method, less any provision for impairment.

Provision is made for impairment of trade receivables when circumstances indicate doubtful collection. This provision is calculated as the difference between the carrying amount and the present value of future estimated cash flows discounted at the effective interest rate and is recognised in the income statement.

j) Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

Obsolete, defective and slow-moving stocks are written down to their possible realisable value.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand in various currencies, immediately available current account balances with banks and cash surpluses deposited in short-term, highly-liquid investments.

l) Employee benefits

In line with prevailing collective labour agreements, certain group companies are obliged to pay early retirement bonuses. The Group has created a provision to cover the actuarial liability of the estimated portion accrued at 31 January 2006.

m) Provisions
Provisions are recognised in the balance sheet when:

- the Group has a present legal or constructive obligation as result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are based on the best information available at the date of preparation of the annual accounts and are revised at each balance sheet date.

n) Trade and other payables
Trade and other current payables do not accrue interest and are stated at nominal value.

o) Financial liabilities
Financial liabilities are generally recognised at the effective amount received, less costs incurred on the transaction. Subsequent to initial recognition, financial liabilities are stated at amortised cost.

Underlying liabilities of derivative financial instruments are stated at fair value.

p) Derivative and hedging operations
Derivatives instruments used by the Group mainly comprise exchange rate hedging operations to eliminate or significantly reduce the risk deriving from the underlying operations.

q) Income recognition
The sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred

Rental income is recognised on a straight-line basis over the term of the contracts.

Income from royalties is recognised in line with the amounts accrued on the respective contracts.

r) Leases
Lease operations are classified as finance leases when the significant risks and rewards of ownership of the asset are transferred. All other lease operations are considered operating leases.

Assets acquired under a finance lease are recognised as non-current assets at the present value of the minimum future lease payment amounts or, if lower, the fair value of the leased asset, while the corresponding debt with the lessor is recognised as a liability. Lease payments are apportioned between the reduction of the outstanding liability and the finance charge, which is recorded as a financial expense during the year.

In the case of operating leases, non-contingent or fixed rent payments are charged to the income statement on a straight-line basis over the term of the lease. Variable rent and consumer price index-linked increases in fixed rent are considered contingent rent and are not taken to the income statement on a straight-line basis.

Incentives received by shopping centre developers or owners of commercial premises are recognised as non-current liabilities and booked as a reduction in rental expense under ¨Other operating expenses¨ on a straight-line basis over the duration of the respective lease contracts.

s) Financial income and expenses
Financial income and expenses are recognised on an accrual basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

t) Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax, whether current or deferred, is recognised in the income statement and included in the determination of net

profit or loss for the year, except to the extent that it relates to a transaction which has been recognised during the year, as a charge or a credit in equity, or to a business combination.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities comprise income tax amounts payable in the future on account of temporary differences while deferred tax assets are amounts recoverable due to the existence of temporary differences, tax loss carryforwards or deductions pending application.

The Group recognises deferred assets and liabilities derived from timing differences, except those relating to the initial recognition of goodwill, from the initial recognition of assets or liabilities on a transaction which is not a business combination that,at inception, affected neither accounting nor taxable profit. Timing differences relating to investments in subsidiaries are also recognised except when the parent company can control the reversal and they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets, whether recognised or not, are reviewed at each balance sheet date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and liabilities are only offset when prevailing legislation so permits, and the Company intends to settle the outstanding amount or simultaneously realise assets and settle liabilities.

Deferred tax assets and liabilities are offset when prevailing legislation so permits and they derive from income tax corresponding to the same tax authority and the same or different tax payers which realise or settle current tax assets and liabilities either on a net or simultaneous basis in each of the future periods in which they are expected to be settled or recovered. Deferred tax assets and liabilities are recognised in the consolidated balance sheet as non-current assets and liabilities, irrespective of their expected realisation or settlement date.

u) Earnings per share

The calculation of basic earnings per share is based on the net profit for the period attributable to the parent and a weighted average number of ordinary shares in circulation during the period, net of parent company shares held by the Group.

The calculation of diluted earnings per share is obtained by dividing profit for the year by the number of potential shares, i.e. ordinary shares, convertible bonds and any share options.

v) Current and non-current assets and liabilities

The Group classifies assets and liabilities as current and non-current, current being those which comply with the following criteria:

- Assets are classified as current when they are expected to be realised, sold or consumed during the normal cycle of group operations, are held primarily for business purposes, are forecast to be realised within twelve months from the balance sheet date or comprise cash or cash equivalents, except when they cannot be interchanged or used to settle a liability within at least twelve months from the balance sheet date.
- Liabilities are classified as current when they are expected to be settled during the normal cycle of group operations, are held primarily for business purposes, are to be settled within twelve

months from the balance sheet date or the Group has no unconditional right to extend the settlement of the liabilities during the twelve-month period from the balance sheet date.

- Current liabilities such as trade receivables, liabilities for personnel expenses other than post-retirement benefits or other long-term payments or contributions, and other operating costs are classified as current, irrespective of whether they mature more than twelve months from the balance sheet date.
- Financial liabilities are classified as current when they are to be settled within twelve months of the balance sheet date, even if the original period exceeds twelve months, and an agreement has been reached to refinance or restructure the long-term payments after the closing date and before the annual accounts are prepared.

Assets and liabilities are not offset against each other unless there are specific requirements to the contrary or a standard or interpretation so permits.

ANNEX I. COMPOSITION OF THE INDITEX GROUP

The companies composing the consolidated Group as of 31 January 2006 are as folows

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Subsidiaries						
Industria de Diseño Textil, S.A.	Parent Co.	La Coruña - Spain	Fully Cons.	31/1/06	-	Parent Co.
Comditel, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Zara	Textil purchasing Co.
Inditex Asia, Ltd.	100,00%	Hong Kong - China	Fully Cons.	31/1/06	Zara	Textil purchasing Co.
Zara Asia, Ltd.	100,00%	Hong Kong - China	Fully Cons.	31/1/06	Zara	Textil purchasing Co.
Choolet, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Confecciones Fíos, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Confecciones Goa, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Denllo, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Hampton, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Jema Creaciones Infantiles, S.L.	45,90%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Kenner, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Kettering, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Nikole, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Samlor, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Sircio, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Stear, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Textil Rase, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Trisko, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Zintura, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Glencare, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
Indipunt, S.L.	51,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Textil manufacturing
UAB Rofestas	100,00%	Vilnius - Lithuania	Fully Cons.	31/1/06	Zara	Textil manufacturing
Zara España, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Retailing
Zara Argentina, S.A.	100,00%	Buenos Aires - Argentina	Fully Cons.	31/1/06	Zara	Retailing
Zara Belgique, S.A.	100,00%	Brussels - Belgium	Fully Cons.	31/1/06	Zara	Retailing
Zara Chile, S.A.	100,00%	Santiago de Chile - Chile	Fully Cons.	31/12/05	Zara	Retailing
Zara USA Inc.	100,00%	New York - USA	Fully Cons.	31/1/06	Zara	Retailing
Zara France, S.A.R.L.	100,00%	Paris - France	Fully Cons.	31/1/06	Zara	Retailing
Zara UK, Ltd.	100,00%	London - United Kingdom	Fully Cons.	31/1/06	Zara	Retailing
Zara Hellas, S.A.	100,00%	Athens - Greece	Fully Cons.	31/1/06	Zara	Retailing
Zara México, S.A. de C.V.	95,00%	Mexico DF - Mexico	Fully Cons.	31/12/05	Zara	Retailing
Zara Portugal Confecçoes Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Zara	Retailing
Zara Venezuela, S.A.	100,00%	Caracas - Venezuela	Fully Cons.	31/1/06	Zara	Retailing
Grupo Zara Uruguay, S.A.	100,00%	Montevideo -Uruguay	Fully Cons.	31/1/06	Zara	Retailing
Zara Brasil, Lda.	100,00%	Sao Paulo -Brazil	Fully Cons.	31/12/05	Zara	Retailing
Zara Nederland, B.V.	100,00%	Amsterdam - The Netherlands	Fully Cons.	31/1/06	Zara	Retailing
Zara Österreich Clothing, GmbH	100,00%	Vienna - Austria	Fully Cons.	31/1/06	Zara	Retailing
Zara Danmark A/S	100,00%	Copenhagen - Denmark	Fully Cons.	31/1/06	Zara	Retailing
Zara Sverige, AB	100,00%	Stockholm - Sweden	Fully Cons.	31/1/06	Zara	Retailing
Zara Norge, AS	100,00%	Oslo - Norway	Fully Cons.	31/1/06	Zara	Retailing
Zara Canada, Inc.	100,00%	Montreal - Canada	Fully Cons.	31/1/06	Zara	Retailing
Zara Suisse S.A.R.L.	100,00%	Fribourg - Switzerland	Fully Cons.	31/1/06	Zara	Retailing
Zara Luxembourg, S.A.	100,00%	Luxembourg - Luxembourg	Fully Cons.	31/1/06	Zara	Retailing
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Fully Cons.	31/1/06	Zara	Retailing
Zara Italia, S.R.L.	80,00%	Milan - Italy	Fully Cons.	31/1/06	Zara	Retailing
Zara Japan Corp.	100,00%	Tokyo - Japan	Fully Cons.	31/1/06	Zara	Retailing
Zara Ceská Republika, S.R.O.	100,00%	Prague - Czech Republic	Fully Cons.	31/1/06	Zara	Retailing
Zara Puerto Rico, Inc.	100,00%	San Juan - Puerto Rico	Fully Cons.	31/1/06	Zara	Retailing
Za Clothing Ireland, Ltd.	100,00%	Dublin - Ireland	Fully Cons.	31/1/06	Zara	Retailing
Zara Magyarorszag, KFT.	100,00%	Budapest - Hungary	Fully Cons.	31/1/06	Zara	Retailing
Zara Monaco, SAM	100,00%	Montecarlo-Monaco	Fully Cons.	31/1/06	Zara	Retailing
Zara Commercial (Shanghai), Co Ltd.	100,00%	Shangai- China	Fully Cons.	31/1/06	Zara	Retailing
Young Fashion, Sp Zo.o.	51,00%	Varsow- Poland	Fully Cons.	31/12/05	Zara	Retailing
Kiddy´s Class España, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Kiddy´s Class	Retailing
Kiddy´s Class Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Kiddy´s Class	Retailing
Oysho España, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Oysho	Retailing
Oysho Venezuela, S.A.	100,00%	Caracas - Venezuela	Fully Cons.	31/1/06	Oysho	Retailing
Oysho Portugal, Conf. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Oysho	Retailing
Oysho Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Fully Cons.	31/12/05	Oysho	Retailing
Oysho Italia, S.R.L.	80,00%	Milan - Italy	Fully Cons.	31/1/06	Oysho	Retailing
Oysho Hellas, S.A	100,00%	Athens - Greece	Fully Cons.	31/1/06	Oysho	Retailing
Oysho Österreich, GmbH	100,00%	Vienna - Austria	Fully Cons.	31/1/06	Oysho	Retailing
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Fully Cons.	31/1/06	Oysho	Retailing
Oysho Polska, Sp zo.o	100,00%	Varsow- Poland	Fully Cons.	31/1/06	Oysho	Retailing
Grupo Massimo Dutti, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Massimo Dutti	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Massimo Dutti Hellas, S.A.	100,00%	Athens - Greece	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Fully Cons.	31/12/05	Massimo Dutti	Retailing
Massimo Dutti Venezuela, S.A.	100,00%	Caracas - Venezuela	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti France, S.A.R.L.	100,00%	Paris - France	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti UK, Ltd.	100,00%	London - United Kingdom	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti Sverige, AB	100,00%	Stockholm - Sweden	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti Norge, AS.	100,00%	Oslo - Norway	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti Italia, S.R.L.	80,00%	Milan - Italy	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti Ireland., Ltd.	100,00%	London - United Kingdom	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti USA, Ltd.	100,00%	New York - USA	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Massimo Dutti Danmark A/S	100,00%	Copenhagen - Denmark	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Pase Packaging, S.A. de C.V.	98,00%	Mexico DF - Mexico	Fully Cons.	31/12/05	Massimo Dutti	Retailing
BCN Diseños, S.A. de C.V.	98,00%	Mexico DF - Mexico	Fully Cons.	31/12/05	Massimo Dutti	Retailing
Zara Home Belgique, S.A.	100,00%	Brussels - Belgium	Fully Cons.	31/1/06	Massimo Dutti	Retailing
Pull & Bear España, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear Hellas, S.A.	100,00%	Athens - Greece	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Fully Cons.	31/12/05	Pull & Bear	Retailing
Pull & Bear Venezuela, S.A.	100,00%	Caracas - Venezuela	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Fully Cons.	31/12/05	Pull & Bear	Retailing
Pull & Bear Belgique, S.A.	100,00%	Brussels - Belgium	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear France, S.A.R.L.	100,00%	Paris - France	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear Italia, S.R.L.	80,00%	Milan - Italy	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull&Bear Ceska Republika, S.R.O.	100,00%	Prague - Czech Republic	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull&Bear Ireland, Ltd.	100,00%	Dublin - Ireland	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear Magyarország Kft.	100,00%	Budapest - Hungary	Fully Cons.	31/1/06	Pull & Bear	Retailing
Pull & Bear Polska, Sp zo.o	100,00%	Varsow- Poland	Fully Cons.	31/1/06	Pull & Bear	Retailing
Often España, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Pull & Bear	Retailing
Often Portugal, Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Pull & Bear	Retailing
Bershka BSK España, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Portugal Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Hellas, S.A.	100,00%	Athens - Greece	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Mexico, S.A. de CV	97,00%	Mexico DF - México	Fully Cons.	31/12/05	Bershka	Retailing
Bershka BSK Venezuela, S.A.	100,00%	Caracas - Venezuela	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100,00%	Istanbul - Turkey	Fully Cons.	31/12/05	Bershka	Retailing
Bershka Belgique, S.A.	100,00%	Brussels - Belgium	Fully Cons.	31/1/06	Bershka	Retailing
Bershka France, S.A.R.L.	100,00%	Paris - France	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Nederland, B.V.	100,00%	Amsterdam - The Netherlands	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Italia, S.R.L.	80,00%	Milan - Italy	Fully Cons.	31/1/06	Bershka	Retailing
Bershka U.K., Ltd.	100,00%	London - United Kingdom	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Ireland., Ltd.	100,00%	London - United Kingdom	Fully Cons.	31/1/06	Bershka	Retailing
Bershka Ceska Republica, S.R.O.	100,00%	Prague - Czech Republic	Fully Cons.	31/1/06	Bershka	Retailing
Stradivarius España, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Stradivarius	Retailing
Stradivarius Hellas, S.A.	100,00%	Athens - Greece	Fully Cons.	31/1/06	Stradivarius	Retailing
Stradivarius Portugal, Conf. Unip. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Stradivarius	Retailing
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Fully Cons.	31/12/05	Stradivarius	Retailing
Stradivarius Polska, Sp zo.o	100,00%	Varsow- Poland	Fully Cons.	31/1/06	Stradivarius	Retailing
Zara Home España, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara Home	Retailing
Zara Home Portugal, Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Zara Home	Retailing
Zara Home U.K., Ltd.	100,00%	London - United Kingdom	Fully Cons.	31/1/06	Zara Home	Retailing
Zara Home Hellas, S.A.	100,00%	Athens - Greece	Fully Cons.	31/1/06	Zara Home	Retailing
Zara Home Nederland, B.V.	100,00%	Amsterdam - The Netherlands	Fully Cons.	31/1/06	Zara Home	Retailing
Zara Home Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Fully Cons.	31/12/05	Zara Home	Retailing
Zara Home Italia, S.R.L.	100,00%	Milan - Italy	Fully Cons.	31/1/06	Zara Home	Retailing
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Fully Cons.	31/12/05	Zara Home	Retailing
Zara Home Francia, S.A.R.L.	100,00%	Paris - France	Fully Cons.	31/1/06	Zara Home	Retailing
Bershka Logística, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Bershka	Logistics
Massimo Dutti Logística, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Massimo Dutti	Logistics
Oysho Logística, S.A.	100,00%	Barcelona - Spain	Fully Cons.	31/1/06	Oysho	Logistics
Pull & Bear Logística, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Pull & Bear	Logistics
Zara Logística, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Logistics
Plataforma Europa, S.A.	100,00%	Zaragoza - Spain	Fully Cons.	31/1/06	Zara	Logistics
Plataforma Logística León, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100,00%	Mexico DF - Mexico	Fully Cons.	31/12/05	Zara	Services
Zara Financiën B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zaraº	Finance
Zara Mexico, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zara	Finance
Zara Holding, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zara	Portfolio
Zalapa, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zara	Portfolio

Company	Effective % of ownership	Location	Consolidation method	Year end	Chain	Line of business
Massimo Dutti Holding, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Massimo Dutti	Portfolio
Liprasa Cartera, S.L.	98,00%	Madrid - Spain	Fully Cons.	31/12/05	Massimo Dutti	Portfolio
ITX Merken, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zara	Explotation of trademarks
Goa-Invest, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/01/2005	Zara	Construction & Real estate
Zara Vastgoed, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zara	Real Estate
Vastgoed Asia, Ltd.	100,00%	Hong Kong - China	Fully Cons.	31/1/06	Zara	Real Estate
SNC Zara France Immobiliere	100,00%	Paris - France	Fully Cons.	31/12/05	Zara	Real Estate
SCI Vastgoed Ferreol P03302	100,00%	Paris - France	Fully Cons.	31/12/05	Zara	Real Estate
SCI Vastgoed France P03301	100,00%	Paris - France	Fully Cons.	31/12/05	Zara	Real Estate
SCI Vastgoed General Leclerc P03303	100,00%	Paris - France	Fully Cons.	31/12/05	Zara	Real Estate
SCI Vastgoed Nancy P03304	100,00%	Paris - France	Fully Cons.	31/12/05	Zara	Real Estate
Invercarpro, S.A.	100,00%	Madrid - Spain	Fully Cons.	31/1/06	Zara	Real Estate
Robustae S.G.P.S. Unip. Lda.	100,00%	Lisbon - Portugal	Fully Cons.	31/1/06	Zara	Real Estate
Lefties España, S,A,	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Real Estate
Inditex Cogeneración, A.I.E.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Cogeneration Plant
Inditex, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Inactive as of 31/01/06
Zara Italia, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zara	Inactive as of 31/01/06
Fruminga, B.V.	100,00%	Breda - The Netherlands	Fully Cons.	31/1/06	Zara	Inactive as of 31/01/06
Zara, S.A.	100,00%	La Coruña - Spain	Fully Cons.	31/1/06	Zara	Inactive as of 31/01/06
Zara, S.A.	100,00%	Buenos Aires - Argentina	Fully Cons.	31/1/06	Zara	Inactive as of 31/01/06

Multigroup companies

Tempe, S.A.	50,00%	Alicante - Spain	Proporcional	31/1/06	Zara	Marketing of shoewear
Tempe México, S.A. de C.V.	50,00%	Mexico DF - Mexico	Proporcional	31/12/05	Zara	Marketing of shoewear
Tempe Logística, S.A.	50,00%	Alicante - Spain	Proporcional	31/1/06	Zara	Logistics
Tempe Brasil, Ltda.	50,00%	Sao Paulo -Brazil	Proporcional	31/12/05	Zara	Marketing of shoewear
Zara Deutschland, GmbH	50,00%	Hambourg - Germany	Proporcional	31/1/06	Zara	Retailing
Massimo Dutti Deutschland, GmbH	50,00%	Hambourg - Germany	Proporcional	31/1/06	Massimo Dutti	Retailing
Oysho Deutschland, GmbH	50,00%	Hambourg - Germany	Proporcional	31/1/06	Oysho	Retailing
Group Zara Australia Pty. Ltd.	50,00%	Sidney - Australia	Proporcional	31/1/06	Zara	Inactive as of 31/01/06

Associated companies

Fibracolor Decoración, S.A.	39,97%	Barcelona - Spain	Equity	31/12/05	Zara	Decoration
Fibracolor, S.A.	39,97%	Barcelona - Spain	Equity	31/12/05	Zara	Purchase and treatment of cloth
Naviera Elealva, A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera Celeste, A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera del Miño, A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera del Sil, A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera Venus, A.I.E	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera Berlín , A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera Covadonga , A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera Gran Sol , A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing
Naviera Guadiana , A.I.E.	49,00%	Las Palmas - Spain	Equity	31/12/05	Zara	Assets leasing

9
Consolidated Management Report

9.1 CONSOLIDATED FINANCIAL STATEMENTS

Inditex Group
FY2005 PROFIT & LOSS STATEMENT
Millions of euros

	FY 2005	FY 2004	Var % 05/04
Net sales	6,740.8	5,568.6	21%
Cost of sales	(2,953.1)	(2,483.4)	
Gross profit	**3,787.8**	**3,085.2**	**23%**
Gross margin	56.2%	55.4%	
Operating expenses	(2,296.8)	(1,849.3)	24%
Other net operating income (losses)	(31.7)	(8.6)	
Operating cash flow (EBITDA)	**1,459.3**	**1,227,4**	**19%**
EBITDA margin	21.6%	22.0%	
Amortisation and depreciation	(365.7)	(305.4)	20%
Operating income (EBIT)	**1,093.6**	**922.0**	**19%**
EBIT margin	16.2%	16.6%	
Financial results	8.0	(24.8)	
Results from companies cons. by equity method	(0.2)	(0.4)	
Income before taxes	**1,101.4**	**896.8**	**23%**
EBT margin	16.3%	16.1%	
Taxes	(290.6)	(251.0)	
Net income	**810.9**	**645.8**	**26%**
Net income margin	12.0%	11.6%	
Minorities	7.7	7.3	
Net income attrib. to the controlling company	**803.2**	**638.5**	**26%**
Net income margin	11.9%	11.5%	
Earnings per share, cents of euro (*)	129.3	102.8	26%

(*) Shares for EPS calculation 620.9 million for 2005 and 620.8 million for 2004

Inditex Group

CONSOLIDATED BALANCE SHEET AS OF 31 JANUARY 2006

Millions of euros

	31 Jan 2006	31 Jan 2005
ASSETS		
CURRENT ASSETS	**2,046.6**	**1,561.7**
Cash & cash equivalents	988.4	771.8
Receivables	357.9	254.1
Inventories	684.4	517.9
Other	15.9	17.9
NON CURRENT ASSETS	**3,156.3**	**2,651.2**
Tangible assets	2,424.3	2,012.7
Intangible assets	499.1	444.5
Financial investments	68.1	60.7
Other	164.9	133.3
TOTAL ASSETS	**5,202.9**	**4,212.9**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	**1,850.8**	**1,372.4**
Payables	1,641.6	1,208.6
Financial debt	209.2	163.7
NON CURRENT LIABILITIES	**431.2**	**447.2**
Financial debt	76.1	119.2
Deferred taxes	106.7	89.2
Other	248.3	238.8
SHAREHOLDERS' EQUITY	**2,920.9**	**2,393.3**
Equity attributable to the controlling company	2,898.9	2,376.1
Minority interests	22.0	17.2
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**5,202.9**	**4,212.9**

Inditex Group

CONSOLIDATED STATEMENT OF CASH FLOWS

Millions of euros

	FY 2005	FY 2004	Var % 05/04
Income before taxes	1,101.4	896.8	23%
Adjustments to income			
Depreciation and amortization	365.7	305.4	
Results on fixed assets disposals	1.1	4.5	
Corporate income tax	(290.6)	(251.0)	
Deferred and prepaid tax	0.3	8.0	
Foreign exchange impact	2.9	17.8	
Other	59.5	40.1	
Funds from operations	**1,240.3**	**1,021.6**	**21%**
Changes in assets and liabilities			
Inventories	(164.2)	(27.2)	
Accounts receivable and current assets	(69.5)	72.6	
Current liabilities	414.1	172.8	
Changes in working capital	**180.4**	**218.2**	**- 37%**
Cash from operations	**1,420.7**	**1,239.8**	**11%**
Intangible assets investments	(81.7)	(80.9)	
Tangible assets investments	(701.9)	(559.4)	
Acquisitions of businesses	(14.0)	(51.2)	
Addition to other long-term financial investments	(3.7)	(17.7)	
Other assets investments	(27.6)	(5.5)	
Fixed assets sales and retirements	17.1	14.2	
Sale of long-term financial investments	0.0	4.6	
Capital expenditure	**(811.9)**	**(695.9)**	**17%**
Net decrease in long-term financial debt	(25.7)	(64.3)	
Net decrease in other long-term debt	(97.9)	(56.6)	
Net increase in current debt	26.1	82.4	
Dividends	(301.8)	(219.4)	
Other financing activities	0.5	0.5	
Cash used in financing activities	**(398.9)**	**(257.3)**	**55%**
Net increase in cash and cash equivalents	210.0	286.6	
Foreign exchange impact on cash & cash equivalents	6.6	(11.7)	
Cash and cash equivalents at beginning of the year	771.8	496.9	
Cash and cash equivalents at end of the year	**988.4**	**771.8**	**28%**

9.2 COMMENTS ON THE CONSOLIDATED RESULTS

Inditex consolidated balance sheets and income statement as at 31 January 2006 (FY 2005) are prepared according to the IFRS adopted by the European Union (IFRS-UE) and include the FY2004 figures on a fully comparable basis.

The results for FY2005 reflect significant growth in sales and gross margin improvement, resulting in the Group maintaining its historical financial returns.

At FYE INDITEX operated 2,692 stores in 62 countries through eight different concepts: Zara, Kiddy's Class, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home.

9.2.1 SALES

Net sales reached 6,740.8 million, an increase of 21% (20% on a constant currency basis) over the previous year.

Number of stores and openings

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

CONCEPT	Net openings		Total stores	
	FY 2005	FY 2004	31 Jan 2006	31 Jan 2005
Zara	129	97	852	723
Kiddy's Class	20	26	149	129
Pull and Bear	56	21	427	371
Massimo Dutti	43	29	369	326
Bershka	66	49	368	302
Stradivarius	36	36	263	227
Oysho	50	28	154	104
Zara Home	48	36	110	62
Total	**448**	**322**	**2,692**	**2,244**

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

Company-managed stores and franchises

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

COMPANY-MANAGED AND FRANCHISED STORES						
	2005			2004		
FORMAT	Co. Mag.	Franchises	Total	Co. Mag.	Franchises	Total
Zara	770	82	852	649	74	723
Kiddy's Class	149		149	129		129
Pull and Bear	380	47	427	333	38	371
Massimo Dutti	275	94	369	228	98	326
Bershka	351	17	368	295	7	302
Stradivarius	208	55	263	183	44	227
Oysho	149	5	154	102	2	104
Zara Home	100	10	110	62		62
Total	**2,382**	**310**	**2,692**	**1,981**	**263**	**2,244**

Selling area

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

SELLING AREA (SqM) IN COMPANY-MANAGED AND FRANCHISED STORES						
CONCEPT	square meters			Sales per m² (€)		
	31 Jan 2006	31 Jan 2005	Chg% 05/04	FY 2005	FY 2004	Chg % 05/04
Zara	961,791	811,100	19%	5,182	5,130	1%
Kiddy's Class	28,999	25,265	15%	5,635	5,263	7%
Pull and Bear	95,179	73,774	29%	5,504	5,346	3%
Massimo Dutti	103,816	79,858	30%	6,609	7,921	-17%
Bershka	130,495	104,916	24%	5,551	5,441	2%
Stradivarius	67,297	57,301	17%	6,036	4,572	32%
OYSHO	21,197	13,938	52%	6,599	5,664	17%
Zara Home	25,978	14,259	82%	4,082	4,296	-5%
Total	**1,434,752**	**1,180,411**	**22%**	**5,383**	**5,304**	**1%**

Like-for-like sales (LFL)

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

The Group's *like-for-like sales* grew by 5% in FY2005. Like-for-like represents the annual change in store sales of any concept of the Group that were opened for the whole of fiscal years 2005 and 2004, converted to a fixed exchange rate.

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

LFL sales growth

	2005	2004
First half	4,5%	8%
Second half	5%	10%
Full year	**5%**	**9%**

The like-for-like calculation includes 61% of the selling area as at FYE2005 (i.e. stores opened for the whole of fiscal years 2005 and 2004).

Space contribution, defined as sales growth in constant currency coming from space not included in LFL calculation, was 16% in FY2005.

Sales by concept

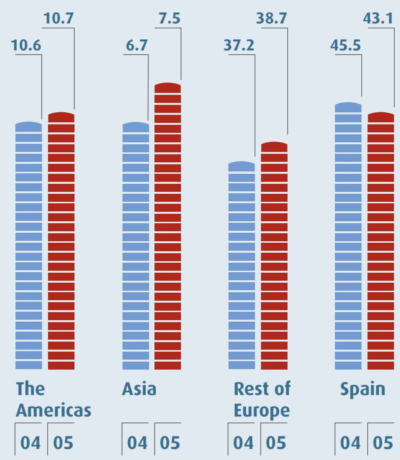
Net sales by concept in FY2005 and FY2004 are shown in the table below:

CONCEPT	NET SALES (Million euros) 2005	2004	Var % 05/04	% ON TOTAL SALES 2005	2004
Zara	4,440.8	3,759.7	18%	65.9%	67.5%
Kiddy's Class	155.4	120.6	29%	2.3%	2.2%
Pull and Bear	445.1	367.2	21%	6.6%	6.6%
Massimo Dutti	533.8	458.4	16%	7.9%	8.2%
Bershka	639.4	508.8	26%	9.5%	9.1%
Stradivarius	341.1	241.9	41%	5.1%	4.3%
Oysho	107.0	71.7	49%	1.6%	1.3%
Zara Home	78.1	40.4	93%	1.2%	0.7%
Total sales	**6,740.8**	**5,568.6**	**21%**	**100.0%**	**100.0%**

Store sales by geographic area

The following graph shows store sales by geographic areas:

SALES BY GEOGRAFIC AREA



European markets ex-Spain are absorbing the greatest part of the international growth.

The percentage of international store sales by concept is the following:

% INTERNATIONAL STORE SALES		
CONCEPT	2005	2004
Zara	68.9%	65.8%
Kiddy's Class	14.0%	12.8%
Pull and Bear	33.2%	30.2%
Massimo Dutti	45.6%	41.9%
Bershka	41.5%	35.7%
Stradivarius	17.4%	15.4%
Oysho	31.8%	31.5%
Zara Home	23.0%	12.7%
Total	**56.9%**	**54.5%**

Sales in company-managed and franchised stores

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

STORE SALES IN COMPANY-MANAGED AND FRANCHISED STORES				
CONCEPT	2005		2004	
	Company Managed	Franchised	Company Managed	Franchised
Zara	90%	10%	91%	9%
Kiddy's Class	100%	0%	100%	0%
Pull and Bear	91%	9%	91%	9%
Massimo Dutti	72%	28%	68%	32%
Bershka	97%	3%	98%	2%
Stradivarius	82%	18%	82%	18%
Oysho	98%	2%	98%	2%
Zara Home	96%	4%	100%	0%
Total	**89%**	**11%**	**90%**	**10%**

15.678

9.2.2 GROSS PROFIT

The gross profit rose to 3,787.8 million, 23% higher than the previous year. The Gross margin improved 79 basis points to reach 56.2% (55.4% in FY2004). This improvement in the gross margin has been achieved due to a tight inventory management. The currency impact turned negative in the Second Half due mainly to a stronger dollar exchange rate versus the euro.

Under current circumstances, INDITEX considers 56.2% as its best estimate for the FY2006 gross margin.

9.2.3 OPERATING INCOME (EBIT)

FY2005 EBITDA came to €1,459.3 million, an increase of 19% compared to the previous year, standing at 21.6% of sales (22.0% in FY2004)
Below is a breakdown of Operating expenses over the last two years:

Million euros	2005	2004	var %
Personnel expenses	1,036.6	839.5	23%
Rental expenses	577.0	468.1	23%
Other operating expenses	683.1	541.7	26%
Total operating expenses	2,296.8	1,849.3	24%

At FYE 2005 the number of employees reached 58,190 (47,046 at FYE2004).

Operating expenses include all the start-up costs for new openings (essentially leases and salaries paid for stores that are not yet open).

The future lease commitments as a result of the minimum non cancellable lease payments amounted to 1,973 million at FYE2005.

INDITEX aims to reduce the spread between Operating expenses growth and Sales growth over the next 3 years, while maintaining the growth strategy, thus aligning operating expenses growth and sales growth by FYE2008.

Other net operating losses amounted 31.7 million, compared to ?8.6 million in FY2004. This line includes all profits and losses in relation with the valuation and execution of options in the joint-ventures the Group operates. Throughout FY2005, INDITEX has acquired a further 9.95% stake in Stradivarius and a 15% in Zara Japan. INDITEX has also reached an initial agreement to acquire an additional 28% in Zara Deutschland by FY2006. The result of this acquisition has been expensed in FY2005.

EBIT came to 1,093.6 million, 19% higher, standing at 16.2% of sales (16.6% in FY2004).

EBIT excluding Other net operating income (losses) rose to 1,125.3 million, 21% higher, unchanged at 16.7% of sales, and provides a fully comparable base of the operating performance.

EBIT by concept

The breakdown of EBIT by concept is the following:

CONCEPT	EBIT by concept (Million euros) 2005	2004	Var % 05/04	% EBIT on sales 2005	2004	EBIT by concept on total (%) 2005	2004
Zara	712.1	654.2	9%	16.0%	17.4%	65.1%	71.0%
Kiddy's Class	28.8	20.8	39%	18.5%	17.2%	2.6%	2.3%
Pull and Bear	75.3	52.2	44%	16.9%	14.2%	6.9%	5.7%
Massimo Dutti	68.8	67.6	2%	12.9%	14.7%	6.3%	7.3%
Bershka	98.9	74.8	32%	15.5%	14.7%	9.0%	8.1%
Stradivarius	83.7	36.7	128%	24.5%	15.2%	7.6%	4.0%
Oysho	24.5	15.5	58%	22.9%	21.7%	2.2%	1.7%
Zara Home	1.4	0.2	652%	1.8%	0.5%	0.1%	0.0%
Total EBIT	**1,093.6**	**922.0**	**19%**	**16.2%**	**16.6%**	**100.0%**	**100.0%**

EBIT excluding Other net operating income (losses) rose 12% for Zara and 6% Massimo Dutti, the two concepts with higher impact from the *joint-ventures* structure.

9.2.4 NET INCOME AND NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY

Income before taxes stands at 1,101.4 million, 23% higher than in FY2004.

Financial results break down as follows:

Million euros

	2005	2004
Net financial income (losses)	3.8	(7.2)
Foreign exchange gains	4.2	(17.6)
Total	**8.0**	**(24.8)**

Foreign exchange gains include the impact of mark-to-market valuation of currency exchange financial instruments according to IAS 39.

Net income reached 810.9 million, an increase of 26%. The tax rate for the fiscal year is 26% versus 28% in FY2004.

Net income attributable to the controlling company came to 803.2 million, an increase of 26% over FY2004.

Dividend proposal

INDITEX's Board of Directors will propose to the General Shareholders Meeting an ordinary dividend of 324 million (52 cents per share) and a bonus dividend of 94 million (15 cents per share), reaching a total dividend of 418 million (67 cents per share), 40% higher than the previous FY.

INDITEX maintains a long term growth strategy combined with a healthy balance sheet structure. The financial strength of the company should provide flexibility enough to support the expansion of the business under a disciplined financial approach to sustain returns.

This must be combined with a predictable shareholder remuneration policy.

Accordingly, INDITEX new shareholder remuneration policy will be based on an increase in the proportion of net income distributed as ordinary dividend to around 50% from 2006 onwards. In addition, the Board of Directors could propose bonus dividends.

Return on Equity (ROE)

The table below shows INDITEX Return on Equity, defined as net income on average Shareholder's equity.

RETURN ON EQUITY

Description	2005	2004
Net income	803.2	638.5
Shareholders equity - previous year	2,376.1	1,966.6
Shareholders equity - current year	2,898.9	2,376.1
Average equity	2,637.5	2,171.3
RETURN ON EQUITY	30%	29%

Return on Capital Employed (ROCE)

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

RETURN ON CAPITAL EMPLOYED

Descriptión	2005	2004
EBIT	1,093.6	922.0
AVERAGE CAPITAL EMPLOYED:		
Average shareholders' equity	2,637.5	2,171.3
Average net financial debt (*)	0.0	0.0
Total average capital employed	**2,637.5**	**2,171.3**
RETURN ON CAPITAL EMPLOYED	41%	42%

(*) Zero when net cash

ROCE by concept

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

ROCE BY CONCEPT		
CONCEPT	2005	2004
	ROCE	ROCE
Zara	41%	42%
KIddy's Class	67%	59%
Pull&Bear	47%	41%
M.Dutti	27%	43%
Bershka	42%	47%
Stradivarius	82%	41%
Oysho	50%	51%
Zara Home	3%	1%
Total	**41%**	**42%**

9.3 COMMENTS ON THE BALANCE SHEET

INDITEX Consolidated Balance Sheet maintains a similar structure to that it showed at FYE2004, without net financial debt and with a negative operating working capital position, a consequence of the business model.

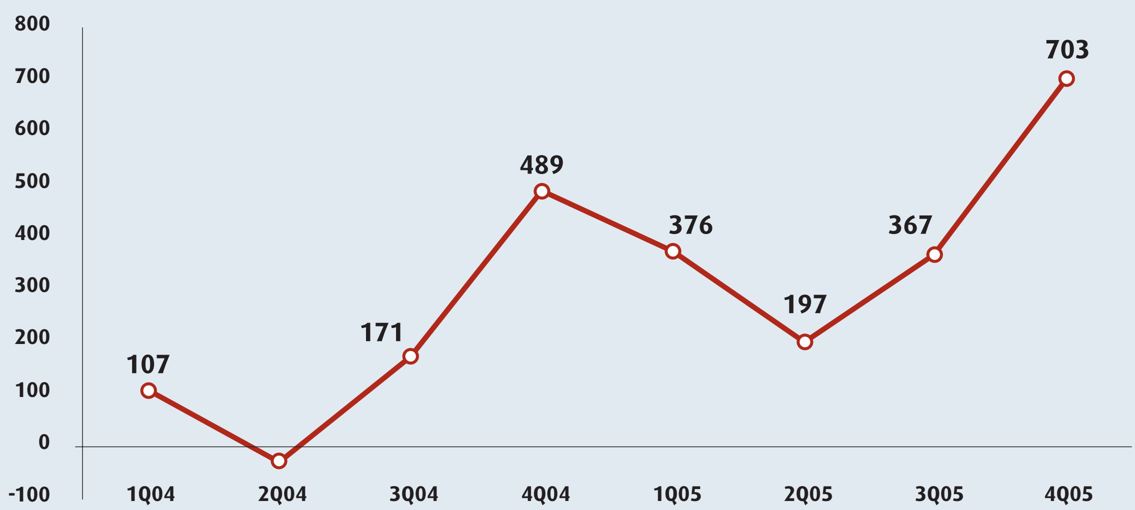
Net financial position

The net financial position is shown in the table below:

NET FINANCIAL CASH (DEBT) (MillIons of euros)

Concept	31 Jan 2006	31 Jan 2005
Cash & cash equivalents	988.4	771.8
Current financial debt	(209.2)	(163.7)
Non current financial debt	(76.1)	(119.2)
NET FINANCIAL CASH (DEBT)	703.1	488.9

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



Working capital

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

WORKING CAPITAL (Million euros)

Concept	31 Jan 2006	31 Jan 2005
Inventories	684.4	517.9
Accounts receivable	357.9	254.1
Current liabilities	(1,641.6)	(1,208.6)
Other	15.9	17.9
Operating working capital	**(583.4)**	**(418.8)**
Cash and cash equivalents	988.4	771.8
Current financial debt	(209.2)	(163.7)
Financial working capital	**779.2**	**608.1**
Working capital	**195.8**	**189.4**

Operating working capital financing has increased by 39% to 583.4 million (418.8 million in FY2004).

9.4 COMMENTS ON THE CASH FLOW STATEMENT

The summary of the cash flow statement is the following:

CASH FLOW SUMMARY	FY 2005	FY 2004	Var% 05/04
Income before taxes	1,101.4	896.8	23%
Funds from operations	1,240.3	1,021.6	21%
Changes in working capital	180.4	218.2	
Cash from operations	1,420.7	1,239.8	15%
Net capital expenditure	(811.9)	(695.9)	17%
Free cash flow	608.8	543.9	12%
Dividends	(301.8)	(219.4)	
Net debt decrease	(307.5)	(325.0)	
Others	0.5	0.5	

Funds from Operations grew by 21% in 2005, reaching 1,240.3 million. Working Capital financing has taken Cash from Operations to 1,420.7 million, 15% higher than in FY2004.

Capital Expenditure for the FY amounted to 811.9 million.

Free cash flow increased by 12% to 608.8 million and a 301.8 million dividend was paid to shareholders.

9.5 START OF FY2006

During the eight weeks since the beginning of the 2006 Spring-Summer season sales growth is according to the Group's expectations.

The store openings plan for FY2006 is the following:

FY 2006 Openings forecast					
CONCEPT	Range			% International	Total 2005
Zara	130	-	140	80%	129
KIddy's Class	30	-	40	10%	20
Pull&Bear	45	-	55	65%	56
M.Dutti	30	-	40	55%	43
Bershka	65	-	75	70%	66
Stradivarius	35	-	45	45%	36
Oysho	40	-	50	50%	50
Zara Home	35	-	45	60%	48
Total net openings	**410**	-	**490**		**448**

Approximately 50% of the contracts have been signed but in some cases openings may not take place in FY2006.

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

Expected CAPEX in FY2006 is between 850 million and 950 million. The opening of new stores and the refurbishment of existing stores will represent the majority of the CAPEX.

Additionally, INDITEX has decided to enter the Korean market due to its strong potential for the Group. INDITEX has signed an agreement with Lotte Group to start its operations in Korea over 2006 with an initial Zara store in Seoul to be followed by further openings. Under this agreement Lotte will hold a 20% minority participation in Zara Korea.

9.6 BOARD OF DIRECTORS AGREEMENT

INDITEX Board of Directors meeting to be hold next June will propose to the Annual General Meeting the approval of a Share Plan for a maximum of 2,348,383 shares for approximately 200 beneficiaries. The plan will be linked to the average performance of the INDITEX share over 2006 and 2007.

The plan has no cash impact, as it is based on shares subscribed in year 2000 and remaining from a previous stock option plan.

9.7 OTHER SUBJECTS

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 2005.

Annex I

Income statement: quarterly results

	FY2005				FY2004				VAR % 05/04			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,405.9	1,413.8	1,831.6	2,089.5	1,183.0	1,169.2	1,525.7	1,690.8	19%	21%	20%	24%
Cost of sales	(622.2)	(612.9)	(763.4)	(954.6)	(544.7)	(533.0)	(642.8)	(762.9)	14%	15%	19%	25%
Gross profit	**783.7**	**800.9**	**1,068.2**	**1.135.0**	**638.3**	**636.2**	**882.9**	**927.9**	**23%**	**26%**	**21%**	**22%**
	55.74%	56.65%	58.32%	54.32%	53.95%	54.41%	57.87%	54.88%				
Operating expenses	(519.8)	(545.7)	(584.9)	(646.3)	(415.3)	(429.7)	(486.9)	(517.3)	25%	27%	20%	25%
Other net operating income (losses)	(3.0)	1.9	(13.4)	(17.2)	(1.5)	(2.1)	(1.3)	(3.7)	106%	-190%	925%	362%
Operating cash flow (EBITDA)	**260.9**	**257.0**	**469.9**	**471.5**	**221.5**	**204.4**	**394.7**	**406.8**	**18%**	**26%**	**19%**	**16%**
	18.56%	18.18%	25.66%	22.56%	18.72%	17.48%	25.87%	24.06%				
Amortisation and depreciation	(80.9)	(91.9)	(94.8)	(98.1)	(66.7)	(73.2)	(76.5)	(89.1)	21%	26%	24%	10%
Operating income (EBIT)	**180.0**	**165.1**	**375.1**	**373.4**	**154.8**	**131.2**	**318.2**	**317.8**	**16%**	**26%**	**18%**	**18%**
	12.80%	11.68%	20.48%	17.87%	13.08%	11.22%	20.86%	18.79%				
Financial results	(0.8)	12.4	(6.3)	2.8	(5.2)	(6.6)	(8.0)	(5.1)				
Results from comp. cons. by equity method	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	(0.4)				
Income before taxes	**179.2**	**177.5**	**368.8**	**376.0**	**149.5**	**124.6**	**310.3**	**312.3**	**20%**	**42%**	**19%**	**20%**
Taxes	(52.9)	(54.1)	(88.9)	(94.7)	(44.0)	(38.5)	(87.1)	(81.4)				
Net income	**126.3**	**123.4**	**279.9**	**281.3**	**105.6**	**86.1**	**223.2**	**230.9**	**20%**	**43%**	**25%**	**22%**
Minorities	1.5	2.0	5.6	(1.4)	2.0	(0.5)	6.0	(0.1)				
Net income attributable to the controlling company	**124.8**	**121.4**	**274.3**	**282.7**	**103.5**	**86.6**	**217.2**	**231.1**	**21%**	**40%**	**26%**	**22%**
	8.88%	8.58%	14.97%	13.53%	8.75%	7.41%	14.24%	13.67%				

Annex II

Summary of net openings and net stores opened by quarter

NUMBER OF NET STORE OPENINGS IN EACH QUARTER

CONCEPT	Q1 2005	Q2 2005	Q3 2005	Q4 2005	TOTAL 2005	Q1 2004	Q2 2004	Q3 2004	Q4 2004	TOTAL 2004
ZARA	21	18	54	36	129	15	12	42	28	97
KIDDY´S CLASS	6	4	4	6	20	7	6	8	5	26
PULL AND BEAR	10	9	24	13	56	5	0	13	3	21
MASSIMO DUTTI	14	5	11	13	43	7	3	16	3	29
BERSHKA	16	6	20	24	66	7	12	15	15	49
STRADIVARIUS	7	8	12	9	36	8	8	9	11	36
OYSHO	9	9	17	15	50	4	6	12	6	28
ZARA HOME	7	11	21	9	48	8	7	11	10	36
Total stores	**90**	**70**	**163**	**125**	**448**	**61**	**54**	**126**	**81**	**322**

NUMBER OF STORES BY THE END OF EACH QUARTER

Format	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2004	Q2 2004	Q3 2004	Q4 2004
ZARA	744	762	816	852	641	653	695	723
KIDDY´S CLASS	135	139	143	149	110	116	124	129
PULL AND BEAR	381	390	414	427	355	355	368	371
MASSIMO DUTTI	340	345	356	369	304	307	323	326
BERSHKA	318	324	344	368	260	272	287	302
STRADIVARIUS	234	242	254	263	199	207	216	227
OYSHO	113	122	139	154	80	86	98	104
ZARA HOME	69	80	101	110	34	41	52	62
Total stores	**2,334**	**2,404**	**2,567**	**2,692**	**1,983**	**2,037**	**2,163**	**2,244**

Annex III

Stores by concept and country as at 31 January 2006

	ZARA	KIDDY'S CLASS	PULL AND BEAR	MASSIMO DUTTI	BERSHKA	STRADIVARIUS	OYSHO	ZARA HOME	INDITEX
SPAIN	259	130	275	211	212	205	93	76	**1,461**
PORTUGAL	46	19	60	45	33	26	20	11	**260**
FRANCE	90		1	10	21	1			**123**
BELGIUM	18			19	6			1	**44**
NETHERLANDS	6			1	4			1	**12**
UNITED KINGDOM	45			8	2			1	**56**
GERMANY	41			5					**46**
SWEDEN	4			3					**7**
NORWAY				2					**2**
ANDORRA	1		1	1				1	**4**
AUSTRIA	8								**8**
DENMARK	4								**4**
LUXEMBOURG	2			1					**3**
ICELAND	1								**1**
IRELAND	5		9	1	4				**19**
FINLAND	4								**4**
ITALY	36		7	5	12		11	3	**74**
SWITZERLAND	8			4	1				**13**
POLAND	11				1				12
CZECH REPUBLIC	3		1		1				5
GREECE	38		11	10	14	2	6	3	84
SLOVENIE	3								3
SLOVAKIA			2						2
MALTA	1		4		1				6
CYPRUS	3		2	1	3	2		1	12
ISRAEL	14		12						26
LEBANON	2		3	3	2	1	1		12
TURKEY	13		1	3	1	1	1	1	21
KUWAIT	4		3	1		2	1	1	12
UAE	5		4	5	4	3	1	3	25
SAUDÍ ARABIA	16			7	7	14	2	4	50
BAHRAIN	1		1	1					3
QATAR	1		1	1		1			4
JORDAN	1		1	1		2			5
CANADÁ	14								14
USA	18								18
PUERTO RICO	1								1
DOMINICAN REP.	1								1
MEXICO	39		18	18	30		18	3	126
VENEZUELA	9		3		9				21
EL SALVADOR	1								1
BRAZIL	14								14
ARGENTINA	6								6
CHILE	5								**5**
URUGUAY	2								**2**
JAPAN	18								**18**
SINGAPORE	3			1					**4**
RUSSIA	6		6			2			**14**
MALAYSIA	3								**3**
MARROCCO	1					1			**2**
HONG KONG	4								**4**
ESTONIA	1								**1**
LATVIA	1								**1**
ROMENIA	1		1						**2**
HUNGARY	2								**2**
LITHUANIA	2								**2**
PANAMÁ	1								**1**
COSTA RICA	1								**1**
INDONESIA	2								**2**
PHILIPINNES	1								**1**
MONACO	1								**1**
THAYLAND				1					**1**
Total	**852**	**149**	**427**	**369**	**368**	**263**	**154**	**110**	**2,692**

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