

IFRS Transition

12 May 2005

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This document contains forward-looking statements. All statements other than statements of historical fact included herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. Any such forward-looking statements are subject to risk and uncertainty and thus could differ materially from actual results.

Some of these risks include, amongst others, ongoing competitive pressure in the sector, consumer tastes and spending trends, economic, political, regulatory and trade conditions in the markets where the Inditex Group is present or in the countries where the Group's products are manufactured or distributed.

The risks and uncertainties that could affect the forward-looking statements are difficult to predict. The company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events or circumstances that could affect them. Given the uncertainties of forward-looking statements, we caution readers not to place undue reliance on these statements.

For a discussion of these and other factors that may affect forward looking statements and the Inditex Group's business, financial conditions and results of operations, see the documents and information communicated by the company to the Comisión Nacional del Mercado de Valores (*the Spanish Securities Commission*).

The contents of this disclaimer should be taken into account by all persons or entities.

- The information presented in this document has been prepared in accordance with IFRS adopted thus far.
- Uncertainty regarding the application procedures of certain standards and the interpretations being drafted by the IFRIC and other regulatory bodies could have a significant impact on the accuracy of the restatements identified thus far.
- The data presented in this document has not been audited and may be subject to change.
- Any significant change in the content of this presentation will be communicated as soon as known

IFRS Transition

- Introduction
- Key differences:
 - In P&L and Shareholders Equity
 - In Classification and Presentation
 - In Disclosure
- 2004 Financial Statements under IFRS
- Final remarks

- Inditex one of 7,000 companies in EU required to move to report under IAS/IFRS
- First IFRS results – Interim Three Months 2005 - 13 June
- Comparatives also restated
 - ↳ 2004 IAS/IFRS comparatives
 - ↳ Date of IFRS opening balance sheet 1 February 2004

Introduction: Inditex IFRS Transition

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- IFRS Transition means an accounting change: No impact on business
- Cash flow neutral
- Limited changes on Financial Statements
- Some presentation adjustments
- Under IFRS 2004 EPS of €1.03 vs. €1.01 reported

- No revaluation of assets
- Concepts will remain primary segments
- Application of IAS 32 & IAS 39 (Financial Instruments) from transition date: 1Feb 2004 - not using the option to delay the full application to 2005.

Standards issued and effective (April 2005)

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IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

IFRS 4 Insurance Contracts

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IAS 1 Presentation of Financial Statements

IAS 2 Inventories

IAS 7 Cash Flow Statements

IAS 8 Accounting Policies, Changes in Accounting Estimates, and Errors

IAS 10 Events After the Balance Sheet Date

IAS 11 Construction Contracts

IAS 12 Income Taxes

IAS 14 Segment Reporting

IAS 16 Property, Plant and Equipment

IAS 17 Leases

IAS 18 Revenue

IAS 19 Employee Benefits

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

IAS 21 The Effects of Changes in Foreign Exchange Rates

IAS 23 Borrowing Costs

IAS 24 Related Party Disclosures

IAS 26 Accounting and Reporting by Retirement Benefit Plans

IAS 27 Consolidated and Separate Financial Statements

IAS 28 Investments in Associates

IAS 29 Financial Reporting in Hyperinflationary Economies

IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions

IAS 31 Interests In Joint Ventures

IAS 32 Financial Instruments: Disclosures and Presentation

IAS 33 Earnings Per Share

IAS 34 Interim Financial Reporting

IAS 36 Impairment of Assets

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 38 Intangible Assets

IAS 39 Financial Instruments: Recognition and Measurement

IAS 40 Investment Property

IAS 41 Agriculture

A number of them with limited impact

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IAS 33 Earnings Per Share

IAS 34 Interim Financial Reporting

IAS 36 Impairment of Assets

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 38 Intangible Assets

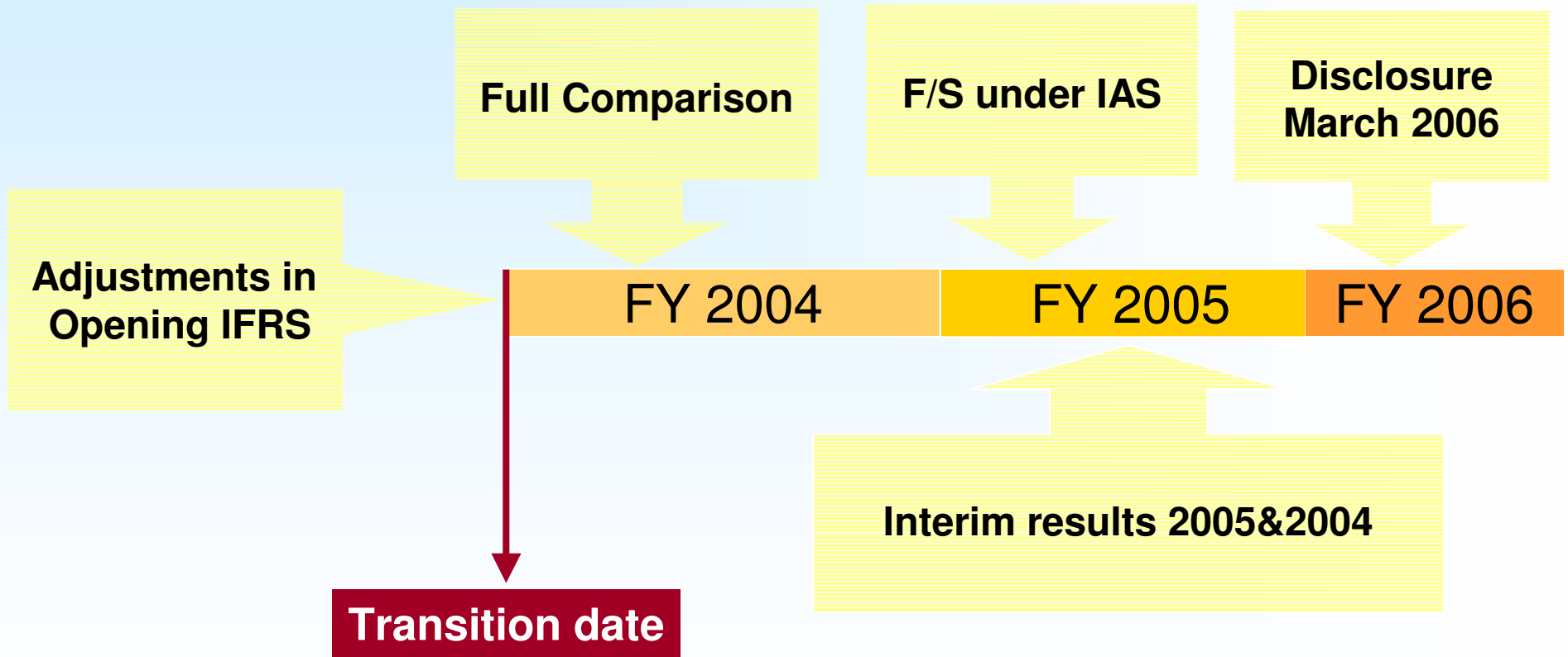
IAS 39 Financial Instruments: Recognition and Measurement

IAS 40 Investment Property

IAS 41 Agriculture

Timetable

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Three different IFRS impacts

Changes in P&L and Shareholders' equity

Changes in presentation and classification

Disclosure requirements

Key differences in P&L

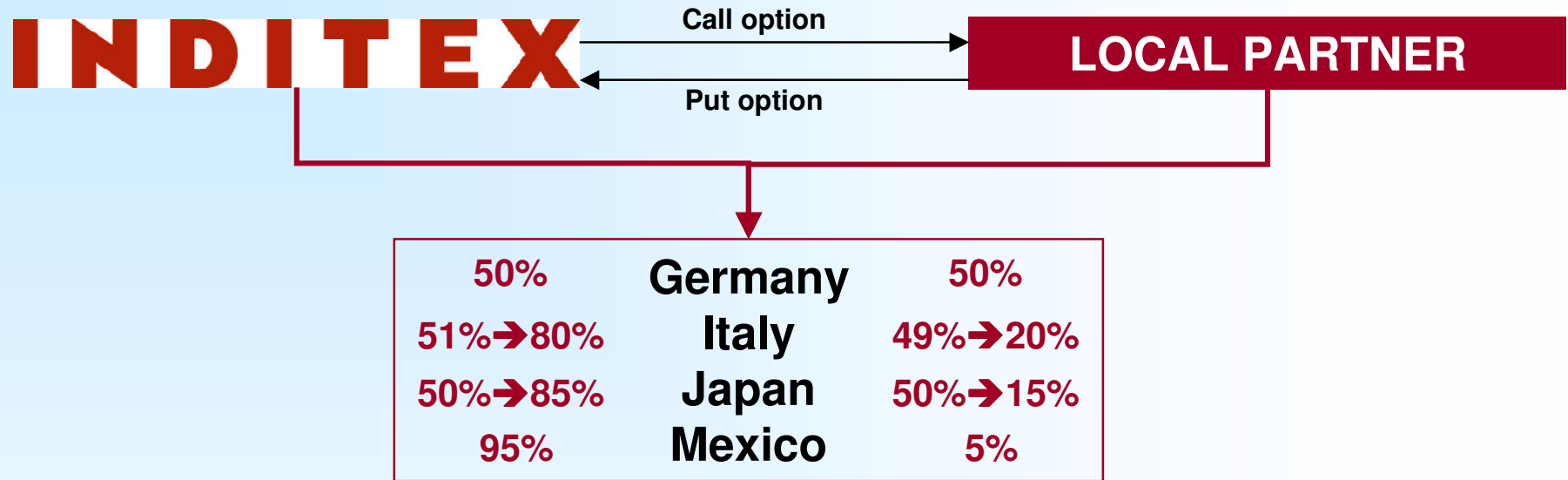
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€ million	P&L 2004
Goodwill amortization	+12.9
Joint Ventures/Minorities	-7.5
Leases	-3.7
Treasury stock	-0.8
Impairment	+9.3
Other	+0.1
Total impact	+10.3

- Cessation of goodwill amortization, but must be tested for impairment at least annually.
- Impact on 2004 Financial Statements:
 - €12.9 million increase in P&L
 - €12.9 million increase in Equity (31st Jan 05)
 - Cancellation of Goodwill booked in FY2004 from the increasing stakes in Italy and Japan

Subsidiaries & Joint Ventures

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Spanish GAAP

- Joint Venture
- Shared control with 50% stake
- Proportional (50%) or global consolidation
- Minority interest
- Options not booked
- Goodwill in case of exercise of options

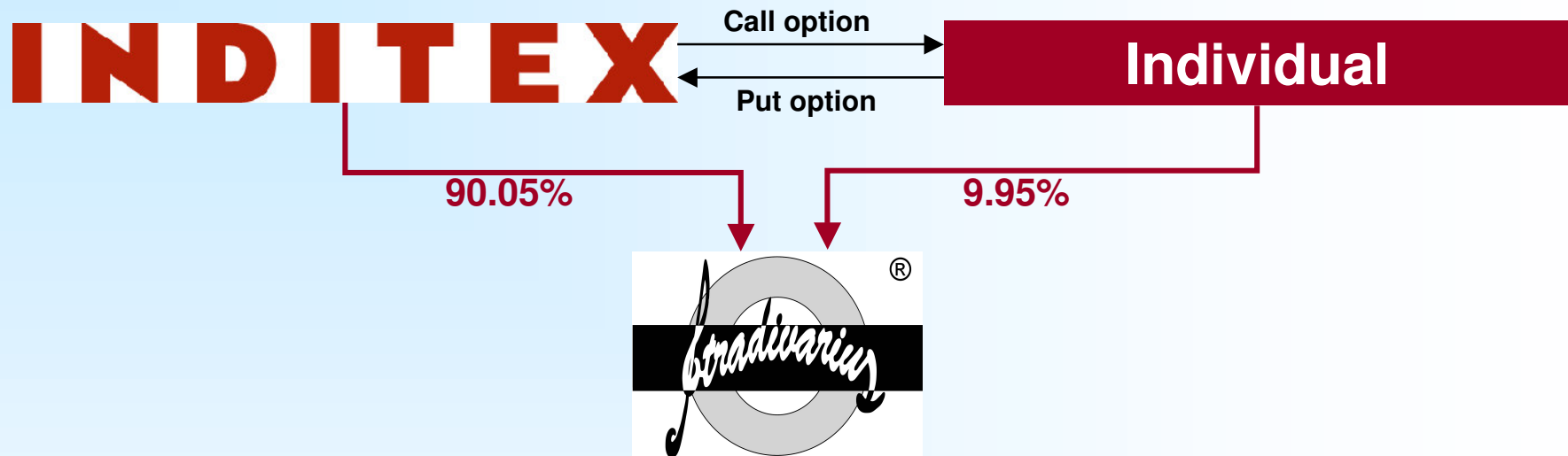
IFRS

- Deferred acquisition of a subsidiary
- Full control in any case
- Global consolidation
- Minority interests reclassified as liabilities valued at the exercise price
- Variation in exercise price charged to P&L
- No goodwill in case of option exercise

IAS 27, 32 & 39

Subsidiaries & Joint Ventures

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Spanish GAAP

- Acquisition of 90.05% in FY1999
- 9.95% Minority interest
- Goodwill to be depreciated over 10 years
- Options not booked

IFRS

- Financed 100% acquisition in FY1999
- Minority interest reclassified as liability valued at the exercise price
- Minority charge reclassified as Personnel expenses

IAS 27, 32 & 39

Main impacts on FY2004 Financial Statements:

- €138.1 million decrease in Shareholders' equity (31st Jan 05)
- €122.0 million recognized as Non-current liabilities (31st Jan 05)
- €7.5 million decrease in Net income (non-cash), net effect of variation in strike prices and results of increasing stakes in Japan and Italy
- No impact on Cash flow, except for the global consolidation of Zara Deutschland

Rental Expenses: straight-line basis

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- Booked on a straight-line basis over the life of the lease
 - ✓ Recognition of rental costs and rent-free periods
 - ✓ Lease incentives: Mall owners contribution to refurbishment of stores
- Impact on 2004 Financial Statements:
 - €3.7 million decrease in P&L (non-cash expense)
 - €5.7 million decrease in Equity (31st Jan 05)

Treasury stock reduces Shareholders equity:

- 41,000 treasury shares
- Under IFRS 2,517,981 shares subscribed by a financial institution (before IPO) to cover Employee Equity Plans are considered Treasury shares:
 - ✓ Balance sheet (31st Jan 05) : €7.4 million additional Debt
 - ✓ P&L: Dividend paid to these shares will not deduct Financial expenses (€0.8 million)
- Treasury shares must be adjusted for EPS calculation

Impairment

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- Impairment charge of €10.3 million under Spanish GAAP in FY2004
- Under IFRS:
 - €6.9 million should have been already recorded as of transition date
 - Another €2.4 million does not strictly comply with the requirements for impairment, so it has been reversed.

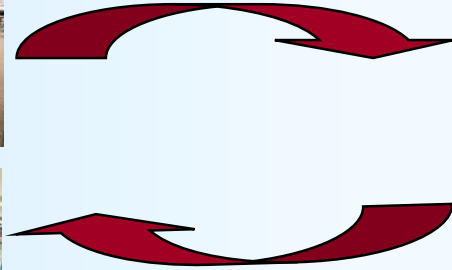
Changes in presentation and classification

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- **New Balance sheet and P&L structure**
- **Sales to workshops: reduction in both Revenues (Net sales) and Cost of sales, neutral in Gross profit**
- **Refurbishment provisions classified as depreciation**
- **Capital leases: liabilities will not include interest**
- **Deferred taxes classified as non current**
- **All revenues and expenses are ordinary**

Revenues/Cost of Goods Sold

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- Sale of fabric pieces to workshops to be assembled and bought back as finished garment: risks remains on INDITEX
- €155 million of Sales to workshops deducted from both Net sales and Cost of sales
- Gross profit: No change

Disclosure requirements

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- **Segment information**
- **Operating leases**

Segment information

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<u>Info. Requirement by business segments (Concepts)</u>	<u>Already provided</u>	<u>To be provided</u>
• Sales	✓	
• EBIT contribution	✓	
• Net assets		✓
• Liabilities		✓
• Capital expenditure		✓
• Amortizations and Depreciations		✓
• Other non-cash expenses		✓
• RoCE	✓	
• Sales by geographical area		✓
• Assets by geographical location		✓
• Capital expenditure by geographical location		✓
• Half year Sales	✓	
• Half year EBIT		✓

Operating Leases: information to be provided **INDITEX**

- General description of main lease conditions
- Lease payments recognized as an expense in the period with separate amounts for minimum lease payments and contingent rents
- Minimal lease payments under non-cancelable operating leases for future periods (<1 year, between 1 and 5, and >5)
- Contingent rents description
- Terms of renewal
- Escalation clauses
- Restrictions imposed by lease agreements

2004 Financial Statements under IFRS

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P&L (€ million)	IFRS	Spanish GAAP	Dif	Drivers
Net sales	5,568.6	5,670.4	(101.8)	Workshops, JV's
Cost of sales	(2,483.4)	(2,636.2)	152.7	Workshops, JV's
Gross profit <i>Gross margin</i>	3,085.2 55.4%	3,034.2 53.5%	51.0	
Operating expenses	(1,864.9)	(1,794.5)	(70.4)	JV's, Minorities, leases & other
Operating cash flow (EBITDA) <i>EBITDA margin</i>	1,220.3 21.9%	1,239.7 21.9%	(19.4)	
Amortization and depreciation	(305.4)	(314.5)	9.1	JV's, goodwill, refurbish.
Operating income (EBIT) <i>EBIT margin</i>	914.9 16.4%	925.2 16.3%	(10.3)	provisions, impairment
Net financial results	(24.8)	(22.5)	(2.3)	JV's
Other net income and losses	6.7	(16.5)	23.2	Results of other operations
Income before taxes <i>EBT margin</i>	896.8 16.1%	886.2 15.6%	10.6	
Taxes	(251.0)	(248.0)	(3.0)	Impairment, Other
Net income before minorities	645.8 11.6%	638.2 11.3%	7.6	
Minorities	(7.3)	(10.1)	2.8	JV's
Net income <i>Net income margin</i>	638.5 11.5%	628.1 11.1%	10.3	
Earnings per share, € cents (*)	1.03	1.01		

2004 Financial Statements under IFRS

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BALANCE SHEET

As of 31st Jan 05

€ million

	IFRS	Spanish GAAP	Dif	Drivers
Current assets	1,561.7	1,582.0	(20.3)	} Deferred taxes, JV's & other
Non current assets	2,651.2	2,627.1	24.0	
TOTAL ASSETS	4,212.9	4,209.2	3.7	
Current liabilities	1,372.4	1,368.9	3.5	} JV's, deferred taxes, leases, treasury stock & other
Non current liabilities	447.2	337.6	109.6	
Shareholders' equity including Minorities	2,393.3	2,502.7	(109.4)	
TOTAL LIABILITIES	4,212.9	4,209.2	3.7	
NET FINANCIAL POSITION	491.8	508.1	(16.2)	JV's & treasury stock

Key metrics

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- LFL & sales per sqm: no changes
- Cash flow and Net Income
- ROE & RoCE

	FY2004	
	IFRS	Spanish GAAP
ROE	29%	27%
ROCE	42%	40%

No impact on F2005 guidance from transition to IFRS:

- 300 / 360 store openings = +15% / +20% space growth
- Best estimate for Gross Margin in 2005 at IFRS 2004 levels
- Operating expenses growing faster than sales

IFRS Transition

12 May 2005

- **Reconciliation of P&L and Shareholders equity**
- **Revised accounting changes**
- **2004 Financial Statements under IFRS**
- **Interim Results 2004 under IFRS**

Annex I- Reconciliation of P&L and Shareholders' Equity

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€ million	<i>P&L 2004</i>	<i>Equity 31/01/2005</i>	<i>Equity transition balance</i>
Local GAAP	628.1	2,502.7	2,105.9
Goodwill amortization	+12.9	+12.9	0.0
Call & put options in 9.95% stake in Stradivarius	0.0	-16.1	-13.5
Call & put options on partners' stake in subsidiaries in Germany, Japan, Italy and Mexico	-7.5	-122.0	-115.0
Recognition of rental expense on a straight - line basis	-2.7	-4.5	-1.8
Lease incentives received (deferred revenues)	-1.0	-1.2	-0.2
Treasury stock	-0.8	-7.4	-8.8
Impairment of assets	+9.3	+2.4	-6.9
Start – up expenses	0.0	-0.3	-0.3
Deferred charges	0.0	-6.1	-6.1
Unrealized exchange gains	-0.3	+0.1	+0.4
Presentation of minority interest in equity	0.0	+35.6	+27.0
Measurement of derivatives	+0.4	-2.8	-3.0
Total	+10.3	-109.4	-128.2
IFRS	638.5	2,393.3	1,977.6

Annex II- Revised accounting changes

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- **Changes in P&L and shareholders' equity**
- **Changes in presentation and classification**

Changes in P&L and shareholders' equity

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<i>IFRS 3.55</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Goodwill amortization		+12.9	+12.9	0.0

Goodwill reflects the unamortized consolidation differences arising from the acquisition of consolidated subsidiary companies or companies carried by the equity method, which are expected to be recovered through the income reported by these investees in the future. These differences are generally amortised on a straight-line basis over the ten-year period estimated by management of the Group to contribute to providing revenues

Treatment under IFRS

Under IFRS goodwill acquired in a business combination is not to be amortised, but is to be tested for impairment.

Changes in P&L and shareholders' equity

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<i>IAS 32&39, IAS 27</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Call & put options on 9.95% stake in Stradivarius		0.0	-16.1	-13.5

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

Treatment under IFRS

In substance, the existence of call and put options based on the same conditions are to be considered as a financed acquisition of the 100% stake in Stradivarius. The effect being the following:

- No minority interest are to be recognized;
- Consolidation of 100% of Stradivarius
- No goodwill recognition in case of options exercise
- The obligation to purchase own shares is a non current liability (IAS 32.23);
- Participation of the minority shareholder in the results are to be treated as an operating expense in the profit & loss account (instead of a minority interest charge), increasing the mentioned liability.

Changes in P&L and shareholders' equity

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<i>IAS 32&39, IAS 27</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Call & put options on partners' stake in subsidiaries in Germany, Japan, Italy and Mexico(I)		-7.5	-122.0	-115.0

Germany

Inditex owns, for each of the companies Zara Deutschland, GmbH; Oysho Deutschland, GmbH and Massimo Dutti Deutschland, GmbH a call option over the 50% stake of Otto GmbH which also owns a put option to Inditex for its whole stake. The exercise period of these options lasts over the joint venture agreement. These options were granted with no premium and the exercise price will depend on the equity of the companies and the number of stores operated by the companies when any option is exercised.

Japan

As of January 31, 2004 (transition date), Inditex owned a 50% stake in Zara Japan Corporation. On May, 2004, Inditex reached an agreement with Bigi Group in order to acquire an additional 35% stake, signing a new Contract of Association with Bigi Group in which Inditex owns a call option over the remaining 15% stake, and Bigi Group also owns a put option to Inditex for its whole stake. The exercise period of these options starts on February 2006 and lasts over the Agreement. These options were granted with no premium and the exercise price comprises a fixed and a contingent price that will depend on the net profit of the company over the last two years and the number of stores operated by the company in case any option is exercised.

Changes in P&L and shareholders' equity

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IAS 32&39, IAS 27

Call & put options on partners' stake in subsidiaries in Germany, Japan, Italy and Mexico (II)

Italy

As of January 31st 2004, Inditex owned a 51% stake in Zara Italia, S.R.L. and Oysho Italia S.R.L. On March, 2004, Inditex reached an agreement with the minority partner (Percassi Group) in order to acquire an additional 29% stakes, signing a new Contract of Association in which Inditex owns a call option over the remaining 20% stake and Percassi Group also owns a put option to Inditex for its whole stake. The exercise period of these options starts on February 2006 and lasts over the agreement. These options were granted with no premium and the exercise price comprises a fixed and a contingent price that will depend on the book value of the company, the EBITDA and debt of the company, the average multiples of certain companies included in a stock market index and the number of stores operated by the company in case any option is exercised.

Inditex owns a call option over the 20% stake in Massimo Dutti Italia, S.R.L., Bershka Italia S.R.L and Pull & Bear Italia S.R.L, and Percassi Group also owns a put option to Inditex for its whole stakes. These options were granted with no premium and the exercise price will depend on the book value of the company and the number of stores operated by the company in case any option is exercised.

México

Inditex has a purchase option on 5% of the share capital of Zara México, S.A. de C.V., 3% of Bershka México, S.A. de C.V., 1,5% of each Oysho México, S.A. de C.V., Pull&Bear México S.A. de C.V. and Zara Home México, S.A. de C.V., owned by the minority shareholder. The periods for exercising these options are the terms of the agreements between the shareholders. The options were granted without any premium and the exercise price will depend on the equity of the investees.

Changes in P&L and shareholders' equity

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IAS 32&39, IAS 27

Call & put options on partners' stake in subsidiaries in Germany, Japan, Italy and Mexico (III)

Treatment under IFRS

In substance, the existence of call and put options based on the same conditions implies consideration of fully controlled subsidiaries (IAS 32.18, IAS 27.33 and IAS 27.BC26). The effect being the following:

- The consolidation method used should be the global integration method, even when Inditex stake is only 50% (Germany);
- No minority interest are to be recognized;
- The obligation to recognize a non-current liability (IAS 32.23) for the option's exercise price;
- Variation on the strike price of the option are to be treated as an expense in the profit & loss account, increasing the above mentioned liability;
- No goodwill recognition when the options are exercised.
- Differences between strike prices and transaction prices must be recognized as expense or income, as those differences are the result of a negotiating process.

Changes in P&L and shareholders' equity

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<i>IAS 17, SIC 15</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Recognition of rental expense on a straight - line basis		-2.7	-4.5	-1.8

Certain of the Group's lease agreements provide for rental free periods or scheduled rent increases during the lease term. Under local GAAP rental expenses have been recognized as incurred.

Treatment under IFRS

Under IFRS the effect of said rent free period or scheduled rent increases are to be deferred on a straight line basis over the rental period.

Changes in P&L and shareholders' equity

INDITEX

<i>IAS 17, SIC 15</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Lease incentives received (deferred revenues)		-1.0	-1.2	-0.2

The Group (lessee) receives certain amounts as contributions from lessors to compensate the capital expenditure to be carried out on commercial premises. Under local GAAP said contributions are deferred and recognized as revenue over the useful life of the related assets. Said revenue is recorded as a reduction of rental expense.

Treatment under IFRS

Under IFRS said contributions are to be considered as lease incentives and are to be deferred on a straight-line basis over the lease period.

The aggregate benefit of incentives is recognized as a reduction of rental expense.

Changes in P&L and shareholders' equity

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<i>IAS 32.23 & IAS 32.36</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Call options on own shares		-0.8	-7.4	-8.8

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

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

Treatment under IFRS

Under IFRS the purchase option contract subscribed with the financial institution for hedging the companies stock option plan to its employees has to be recorded as a financial liability in accordance with IAS 32.23.

The related shares are to be considered Treasury shares and will be recorded accordingly, reducing Shareholders' equity.

Dividends paid to those shares are not to be treated as such (IAS 32.36).

Changes in P&L and shareholders' equity

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<i>IAS 36, IFRS 5</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Impairment of assets		+9.3	+2.4	-6.9

Treatment under IFRS

According to IAS 36, an entity shall assess at each reporting date whether there is any indication that an asset may be impaired, which means that the amount by which the carrying amount of an asset or a cash-generating-unit (store) is recorded exceeds the recoverable amount of the asset or group of assets.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use. The best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. The value in use involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

In 2004, the Group recognized an impairment loss of €10.3 million (€16 million before taxes) for certain stores in which the estimated discounted cash flows did not exceed the carrying amount, which means that the investment in those stores will not be recovered. As a result of the impairment test performed in accordance with IAS 36 as of transition date, 6.9 million euros should be recorded as an impairment loss. Part of the rest of the provision recorded under local GAAP does not strictly comply with the requirements for impairment and discontinuing operations under IAS 36 and IFRS 5 respectively, so it has been reversed by €2.4 million in the financial statements under IFRS on 2004.

Changes in P&L and shareholders' equity

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<i>IAS 38.69</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Start – up expenses		0.0	-0.3	-0.3

For local GAAP purposes some start-up expenses are stated at cost net of amortization generally calculated on a straight-line basis over a period of five years. Pre-opening expenses, essentially leases and salaries paid for stores that are not yet open, are charged to the P&L.

Treatment under IFRS

Under IFRS all start – up expenses are to be expensed as incurred.

Changes in P&L and shareholders' equity

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<i>IAS 38.69</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Deferred charges		0.0	-6.1	-6.1

For local GAAP purposes, deferred charges include expenses incurred on the acquisition of fixed assets, which are stated at the amount incurred and are expensed on a straight-line basis over a period of ten years.

Treatment under IFRS

Under IFRS expenses for the acquisition of fixed assets are to be considered pre-operational costs and are to be expensed as incurred, except for the commissions to real estate brokers, which continues to be deferred over the rental period.

Changes in P&L and shareholders' equity

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<i>IAS 21</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Unrealized exchange gains		-0.3	+0.1	+0.4

For local GAAP purposes, foreign currency transactions are translated to Euros at the rates of exchange at the transaction date and are adjusted at year end to the exchange rate prevailing at that date.

Foreign exchange differences are recorded using the following criteria:

1. Exchange differences on foreign currency held by the companies are taken to income or expenses, as appropriate.
2. Exchange differences arising on the adjustment of foreign currency balances to year-end exchange rates are classified by due date and currency. Losses are charged to expenses while gains are deferred.

Treatment under IFRS

Under IFRS unrealized exchange gains are to be recognized as income.

Changes in P&L and shareholders' equity

INDITEX

<i>IAS 27.33</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Presentation of minority interest in equity		0.0	+35.6	+27.0

Under local GAAP minority interest are not presented within shareholders' equity

Treatment under IFRS

Under IFRS minority interests are to be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity

Changes in P&L and shareholders' equity

INDITEX

<i>IAS 39</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Measurement of derivatives		+0.4	-2.8	-3.0

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

Under local GAAP derivatives are not recorded in the balance sheet but disclosed.

Treatment under IFRS

Following IAS 39 derivatives are to be measured at fair value.

Hedge accounting in accordance with said standard will not be applied.

Changes in P&L and shareholders' equity

INDITEX

<i>IFRS 2.53 and 2.56</i>	€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
Share - based payment		0.0	0.0	0.0

Under local GAAP stock option plans are to be recorded when exercised.

Treatment under IFRS

The stock option plans were granted before 7 November 2002, thus there is no impact on the transition date. Disclosures as required by IFRS 2 par. 44 and 45 are to be made.

Any new stock option plan will be expensed.

Changes in presentation and classification

INDITEX

€ million	<i>P&L 2004</i>	<i>Equity 31/1/2005</i>	<i>Equity transition balance</i>
	0.0	0.0	0.0

- Sales to workshops not included as revenues (IAS 18)
- Refurbishment provisions classified as depreciation
- Finance leases: liabilities do not include future interests (IAS 17)
- Deferred taxes are presented as non-current (IAS 12)
- Disclosure of extraordinary items in financial statements is prohibited (IAS 1.85)

Changes in presentation and classification

INDITEX

IAS 18.14

Revenue recognition

Under local GAAP revenues included sales to workshops for which a repurchase commitment exists.

Treatment under IFRS

The substantial risks were not transferred, whereas under IFRS sales and cost of sales are to be reduced by €155 million in FY 2004.

There is no effect in equity and results

Changes in presentation and classification

INDITEX

IAS 16

Refurbishment provisions

Under local GAAP, provisions for refurbishing non fully depreciated assets were charged as ordinary provisions in the P&L.

Treatment under IFRS

This provisions charge should be classified as depreciation charge.

There is no effect in equity and results

Changes in presentation and classification

INDITEX

IAS 17

Finance leases: liabilities do not include future interests

Under local GAAP, future interest of capital leases are included both in asset and liabilities.

Treatment under IFRS

Financial liabilities and fixed assets will be reduced accordingly.

No change in reported financial position , as far as this adjustment was already considered for the calculation.

Changes in presentation and classification

INDITEX

IAS 12

Deferred taxes are presented as non-current

Under local GAAP, deferred taxes were presented as current or non-current assets and liabilities depending on the expected terms.

Treatment under IFRS

All deferred taxes are presented as non-current assets or liabilities.

Changes in presentation and classification

INDITEX

IAS 1.82

Disclosure of extraordinary items in financial statements is prohibited

Under local GAAP, some income and expenses were classified as extraordinary.

Treatment under IFRS

An entity shall not present any items of income and expense as extraordinary items, either on the face of the income statement or in notes

Annex III- 2004 Financial Statements under IFRS

INDITEX

P&L (€ million)	IFRS
Net sales	5,568.6
Cost of sales	(2,483.4)
Gross profit <i>Gross margin</i>	3,085.2 <i>55.4%</i>
Operating expenses	(1,864.9)
Operating cash flow (EBITDA) <i>EBITDA margin</i>	1,220.3 <i>21.9%</i>
Amortization and depreciation	(305.4)
Operating income (EBIT) <i>EBIT margin</i>	914.9 <i>16.4%</i>
Net financial results	(24.8)
Other net income and losses	6.7
Income before taxes <i>EBT margin</i>	896.8 <i>16.1%</i>
Taxes	(251.0)
Net income before minorities	645.8 <i>11.6%</i>
Minorities	(7.3)
Net income <i>Net income margin</i>	638.5 <i>11.5%</i>
Earnings per share, € cents (*)	
Basic	1.03
Diluted	1.03

Shares outstanding	623,330,400
Shares outstanding ex Treasury	620,941,017

Annex III- 2004 Financial Statements under IFRS

INDITEX

BALANCE SHEET

€ million

	As of 31 st Jan 05
Current assets	1,561.7
Non current assets	2,651.2
TOTAL ASSETS	4,212.9
Current liabilities	1,372.4
Non current liabilities	447.2
Shareholders' equity including Minorities	2,393.3
TOTAL LIABILITIES	4,212.9
NET FINANCIAL CASH (DEBT)	491.8

Annex IV- Interim Results 2004 under IFRS

INDITEX

P&L € million	FY2004				FY2004			
	3m	1H	9m	FY	1Q	2Q	3Q	4Q
Net sales	1.183,0	2.352,2	3.877,9	5.568,6	1.183,0	1.169,2	1.525,7	1.690,8
Cost of sales	(544,7)	(1.077,8)	(1.720,5)	(2.483,4)	(544,7)	(533,0)	(642,8)	(762,9)
Gross profit	638,3	1.274,4	2.157,3	3.085,2	638,3	636,2	882,9	927,9
<i>Gross margin</i>	54,0%	54,2%	55,6%	55,4%	54,0%	54,4%	57,9%	54,9%
Operating expenses	(416,8)	(848,3)	(1.343,4)	(1.864,9)	(416,8)	(431,5)	(495,1)	(521,5)
Operating cash flow (EBITDA)	221,5	426,2	814,0	1.220,3	221,5	204,7	387,8	406,4
<i>EBITDA margin</i>	18,7%	18,1%	21,0%	21,9%	18,7%	17,5%	25,4%	24,0%
Amortisation and depreciation	(66,7)	(139,9)	(216,3)	(305,4)	(66,7)	(73,2)	(76,5)	(89,1)
Operating income (EBIT)	154,8	286,3	597,6	914,9	154,8	131,5	311,4	317,3
<i>EBIT margin</i>	13,1%	12,2%	15,4%	16,4%	13,1%	11,2%	20,4%	18,8%
Net financial results	(5,2)	(11,8)	(19,8)	(24,8)	(5,2)	(6,6)	(8,0)	(5,1)
Other net income and losses	0,0	(0,3)	6,6	6,7	0,0	(0,3)	6,9	0,1
Income before taxes	149,5	274,1	584,4	896,8	149,5	124,6	310,3	312,3
<i>EBT margin</i>	12,6%	11,7%	15,1%	16,1%	12,6%	10,7%	20,3%	18,5%
Taxes	(44,0)	(82,5)	(169,6)	(251,0)	(44,0)	(38,5)	(87,1)	(81,4)
Net income before minorities	105,6	191,6	414,9	645,8	105,6	86,1	223,2	230,9
Minorities	(2,0)	(1,5)	(7,5)	(7,3)	(2,0)	0,5	(6,0)	0,1
Net income	103,5	190,1	407,4	638,5	103,5	86,6	217,2	231,1
<i>Net income margin</i>	8,8%	8,1%	10,5%	11,5%	8,8%	7,4%	14,2%	13,7%

Annex IV- Interim Results 2004 under IFRS

INDITEX

BALANCE SHEET

€ million

	FY2004			
	3m	1H	9m	FY
Current assets	1.069	1.059	1.327	1.562
Non current assets	2.347	2.449	2.538	2.651
TOTAL ASSETS	3.416,4	3.507,7	3.864,7	4.212,9
Current liabilities	836	1.099	1.285	1.372
Non current liabilities	503	469	421	447
Shareholders' equity including minorities	2.077,7	1.940,0	2.158,6	2.393,3
TOTAL LIABILITIES	3.416,4	3.507,7	3.864,7	4.212,9