

**INDITEX GROUP CONSOLIDATED  
ANNUAL ACCOUNTS  
31 JANUARY 2009**

**(Translation from the original in Spanish.  
In the event of discrepancy, the Spanish-language version prevails)**



**KPMG Auditores S.L.**

Fama, 1  
15001 A Coruña

**Auditors' report on the consolidated annual accounts**

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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

We have audited the consolidated annual accounts of Industria de Diseño Textil, S.A. (the Parent Company) and subsidiaries (the Group), which comprise the consolidated balance sheet at 31 January 2009, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended and the notes thereto, the preparation of which is the responsibility of the Parent 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.

In accordance with prevailing Spanish legislation, the consolidated balance sheet at 31 January 2009, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended and the notes thereto include comparative figures for the year ended 31 January 2008. We express our opinion solely on the consolidated annual accounts for the year ended 31 January 2009. On 2 April 2008 we issued our unqualified audit report on the consolidated annual accounts for the year ended 31 January 2008.

In our opinion, these consolidated annual accounts for the year ended 31 January 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiaries and the consolidated results of its operations and the changes in consolidated equity and consolidated cash flows 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.

The accompanying consolidated directors' report for the year ended 31 January 2009 contains such explanations as the directors of the Company 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 2009. 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 subsidiaries.

KPMG AUDITORES, S.L.

Enrique Asla García

Partner

26 March 2009

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## INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS

31 JANUARY 2009

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

### CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	(notes)	<u>31-01-09</u>	<u>31-01-08</u>
Net sales	(2)	10,406,960	9,434,670
Cost of merchandise	(3)	(4,492,720)	(4,085,959)
<b>GROSS PROFIT</b>		<b>5,914,240</b>	<b>5,348,711</b>
		56.8%	56.7%
Operating expenses	(4)	(3,707,887)	(3,226,369)
Other net income/expenses	(5)	(19,497)	26,501
<b>OPERATING PROFIT (EBITDA)</b>		<b>2,186,856</b>	<b>2,148,843</b>
Amortization and depreciation	(11,12,13)	(578,320)	(496,663)
<b>OPERATING PROFIT (EBIT)</b>		<b>1,608,536</b>	<b>1,652,180</b>
Financial results	(6)	(21,599)	964
Losses from equity-accounted investments	(16)	0	(7,508)
<b>INCOME BEFORE TAXES</b>		<b>1,586,937</b>	<b>1,645,636</b>
Income tax	(23)	(325,322)	(387,872)
<b>NET INCOME</b>		<b>1,261,615</b>	<b>1,257,764</b>
<b>NET INCOME ATTRIBUTABLE TO MINORITY INTEREST</b>		<b>8,164</b>	<b>7,495</b>
<b>NET INCOME ATTRIBUTABLE TO THE PARENT</b>		<b>1,253,451</b>	<b>1,250,269</b>
<b>BASIC EARNINGS PER SHARE, euro cents</b>	(7)	<b>201.6</b>	<b>201.4</b>

# INDITEX

All of the members of the board of directors hereby sign the consolidated income statement in La Coruña on 24 March 2009.

Mr. Amancio Ortega Gaona (signed)  
Chairman

Mr. Pablo Isla Álvarez de Tejera (signed)  
First Vice-Chairman and Managing Director

Mr. Carlos Espinosa de los Monteros (signed)  
Second Vice-Chairman

Gartler, S.L.  
Board member

Ms. Flora Pérez Marcote (signed)

Mr. Francisco Luzón López (signed)  
Board member

Ms. Irene Ruth Miller (signed)  
Board member

Mr. Juan Manuel Urgoiti López de Ocaña (signed)  
Board member

Mr. José Luis Vázquez Mariño (signed)  
Board member

Mr. Antonio Abril Abadín (signed)  
Secretary

# INDITEX

	(notes)	<b>31-01-09</b>	<b>31-01-08</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	(19)	1,466,291	1,465,835
Trade and other receivables	(9)	585,311	463,716
Inventories	(10)	1,054,840	1,007,213
Income tax receivable	(23)	15,342	1,719
Other current assets		142,257	43,112
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	(11)	3,442,321	3,182,112
Investment property	(12)	8,455	9,475
Rights over leased assets	(13)	531,468	504,604
Other intangible assets	(13)	16,476	13,344
Goodwill	(14)	131,685	125,583
Financial investments	(15)	14,416	36,174
Deferred tax assets	(23)	203,100	133,020
Other	(17)	164,684	119,695
<b>TOTAL ASSETS</b>		<b>7,776,646</b>	<b>7,105,602</b>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(18)	2,073,141	1,975,251
Financial debt	(19)	234,037	371,276
Income tax payable	(23)	83,670	111,540
<b>NON-CURRENT LIABILITIES</b>			
Financial debt	(19)	13,241	42,358
Deferred tax liabilities	(23)	213,847	110,957
Provisions	(20)	101,820	47,681
Other non-current liabilities	(21)	308,290	229,488
<b>EQUITY</b>			
Net equity attributable to the parent		4,721,714	4,193,129
Net equity attributable to minority interest		26,886	23,922
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,776,646</b>	<b>7,105,602</b>

All of the members of the board of directors hereby sign the consolidated balance sheet in La Coruña on 24 March 2009.

Mr. Amancio Ortega Gaona (signed)  
Chairman

Mr. Pablo Isla Álvarez de Tejera (signed)  
First Vice-Chairman and Managing Director

Mr. Carlos Espinosa de los Monteros (signed)  
Second Vice-Chairman

Gartler, S.L.  
Board member

Ms. Flora Pérez Marcote (signed)

Mr. Francisco Luzón López (signed)  
Board member

Ms. Irene Ruth Miller (signed)  
Board member

Mr. Juan Manuel Urgoiti López de Ocaña (signed)  
Board member

Mr. José Luis Vázquez Mariño (signed)  
Board member

Mr. Antonio Abril Abadín (signed)  
Secretary

# INDITEX

## INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)

	2,008	2,007
<b>Income before taxes and minority interest</b>	<b>1,586,937</b>	<b>1,645,636</b>
<b>Adjustments to income</b>		
Amortization and depreciation	578,320	496,663
Income tax	(325,322)	(387,872)
Deferred tax assets and liabilities	35,253	(38,465)
Foreign exchange translation differences	(11,097)	1,837
Other	(14,022)	39,338
<b>Cash flows generated</b>	<b>1,850,069</b>	<b>1,757,137</b>
<b>Variation in assets and liabilities</b>		
Inventories	(60,736)	(197,485)
Receivables and other current assets	(157,425)	(87,608)
Current payables	143,268	345,408
<b>Variation in operating financing requirements</b>	<b>(74,894)</b>	<b>60,315</b>
<b>Cash flows from operating activities</b>	<b>1,775,176</b>	<b>1,817,452</b>
Acquisition of intangible assets	(78,068)	(87,967)
Acquisition of property, plant and equipment	(851,973)	(850,109)
Acquisition of companies	(6,102)	(7,147)
Acquisition of other financial investments	21,758	(10,307)
Acquisition of other assets	(23,643)	(26,572)
Proceeds from sales of assets and collections of other non-current assets	679	9,536
Disposals of companies	0	30,712
<b>Cash flows from investing activities</b>	<b>(937,349)</b>	<b>(941,854)</b>
Variation in non-current financial debt	(28,644)	(16,513)
Variation in non-current non-financial debt	11,366	15,763
Variation in current financial debt	(137,385)	214,514
Dividends	(661,566)	(521,591)
Other financing activities	(1,197)	518
<b>Cash flows used in financing activities</b>	<b>(818,228)</b>	<b>(307,308)</b>
Net increase in cash and cash equivalents	19,599	568,290
Effect of exchange rate fluctuations on cash and cash equivalents	(19,142)	(8,603)
Cash and cash equivalents at beginning of the year	1,465,835	906,148
<b>Cash and cash equivalents at the end of the year</b>	<b>1,466,291</b>	<b>1,465,835</b>

# INDITEX

All of the members of the board of directors hereby sign the consolidated statement of cash flows in La Coruña on 24 March 2009.

Mr. Amancio Ortega Gaona (signed)  
Chairman

Mr. Pablo Isla Álvarez de Tejera (signed)  
First Vice-Chairman and Managing Director

Mr. Carlos Espinosa de los Monteros (signed)  
Second Vice-Chairman

Gartler, S.L.  
Board member

Ms. Flora Pérez Marcote (signed)

Mr. Francisco Luzón López (signed)  
Board member

Ms. Irene Ruth Miller (signed)  
Board member

Mr. Juan Manuel Urgoiti López de Ocaña (signed)  
Board member

Mr. José Luis Vázquez Mariño (signed)  
Board member

Mr. Antonio Abril Abadín (signed)  
Secretary

# INDITEX

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	Retained earnings	Translation differences	Treasury shares	Other reserves	Equity attributable to the parent	Minority interest	Equity
<b>Balance at 01/02/2007</b>	93,500	20,379	3,322,635	(35,656)	(6,970)	54,489	<b>3,448,377</b>	22,227	<b>3,470,604</b>
Transfers	-	-	35,347	(35,347)	-	-	-	-	-
Other	-	-	40,401	-	43	-	<b>40,444</b>	<b>(3,268)</b>	<b>37,176</b>
Effect of movement in foreign exchange	-	-	-	(24,366)	-	-	<b>(24,366)</b>	-	<b>(24,366)</b>
<b>Net income recognized directly in equity</b>	-	-	<b>75,748</b>	<b>(59,713)</b>	<b>43</b>	-	<b>16,078</b>	<b>(3,268)</b>	<b>12,810</b>
Profit for the year	-	-	1,250,269	-	-	-	<b>1,250,269</b>	7,495	<b>1,257,764</b>
<b>Total net income recognized in the year</b>	-	-	<b>1,326,017</b>	<b>(59,713)</b>	<b>43</b>	-	<b>1,266,347</b>	<b>4,227</b>	<b>1,270,574</b>
Dividends	-	-	(521,591)	-	-	-	<b>(521,591)</b>	(2,532)	<b>(524,123)</b>
<b>Balance at 31/01/2008</b>	<b>93,500</b>	<b>20,379</b>	<b>4,127,061</b>	<b>(95,369)</b>	<b>(6,927)</b>	<b>54,489</b>	<b>4,193,133</b>	<b>23,922</b>	<b>4,217,055</b>
<b>Balance at 01/02/2008</b>	93,500	20,379	4,127,061	(95,369)	(6,927)	54,489	<b>4,193,133</b>	23,922	<b>4,217,055</b>
Transfers	-	-	(17,900)	17,900	-	-	<b>0</b>	-	-
Other	-	-	17,580	-	-	-	<b>17,580</b>	(372)	<b>17,208</b>
Effect of movement in foreign exchange	-	-	-	(92,022)	-	-	<b>(92,022)</b>	-	<b>(92,022)</b>
<b>Net income recognized directly in equity</b>	-	-	<b>(320)</b>	<b>(74,122)</b>	<b>0</b>	<b>0</b>	<b>(74,442)</b>	<b>(372)</b>	<b>(74,814)</b>
Profit for the year	-	-	1,253,451	-	-	-	<b>1,253,451</b>	8,164	<b>1,261,615</b>
<b>Total net income recognized in the year</b>	-	-	<b>1,253,131</b>	<b>(74,122)</b>	<b>0</b>	-	<b>1,179,009</b>	<b>7,792</b>	<b>1,186,801</b>
Share-based payments	-	-	-	-	6,310	-	<b>6,310</b>	-	<b>6,310</b>
Dividends	-	-	(656,738)	-	-	-	<b>(656,738)</b>	(4,828)	<b>(661,566)</b>
<b>Balance at 31/01/2009</b>	<b>93,500</b>	<b>20,379</b>	<b>4,723,454</b>	<b>(169,491)</b>	<b>(617)</b>	<b>54,489</b>	<b>4,721,714</b>	<b>26,886</b>	<b>4,748,600</b>

# INDITEX

All of the members of the board of directors hereby sign the consolidated statement of changes in equity in La Coruña on 24 March 2009.

Mr. Amancio Ortega Gaona (signed)  
Chairman

Mr. Pablo Isla Álvarez de Tejera (signed)  
First Vice Chairman and Managing Director

Mr. Carlos Espinosa de los Monteros (signed)  
Second Vice Chairman

Gartler, S.L.  
Board member

Ms. Flora Pérez Marcote (signed)

Mr. Francisco Luzón López (signed)  
Board member

Ms. Irene Ruth Miller (signed)  
Board member

Mr. Juan Manuel Urgoiti López de Ocaña (signed)  
Board member

Mr. José Luis Vázquez Mariño (signed)  
Board member

Mr. Antonio Abril Abadín (signed)  
Secretary

## NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AS AT 31 JANUARY 2009

**(Translation from the original in Spanish.**

**In the event of discrepancy, the Spanish-language version prevails)**

The consolidated annual accounts of the Inditex Group for the year ended 31 January 2009 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 changes. These annual accounts have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (hereinafter EU-IFRS), in compliance with Regulation (EC) No. 1606/2002 of the European Parliament.

Inditex's 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 2008 will hereinafter be referred to as the 2007 period or year, the period ended 31 January 2009 as 2008, and so on.

Unless otherwise stated, the amounts shown in the consolidated annual accounts are expressed in thousands of euro. The euro is the functional and presentation currency of the Company.

The individual annual accounts of the parent company (Inditex) for 2008 have been prepared by the board of directors in a separate document.

It is expected that the consolidated annual accounts for 2008 will be approved by the shareholders at their ordinary annual general meeting without significant changes. The consolidated annual accounts for 2007 were approved by the shareholders at their ordinary general meeting held on 15 July 2008.

These consolidated annual accounts present fairly the consolidated shareholders' equity, financial position and changes in equity of the Inditex Group as at 31 January 2009, as well as the results of its operations and cash flows for the year then ended.

The consolidated annual accounts for 2008 have been prepared on the basis of the accounting records of Inditex and the remaining group companies

These consolidated annual accounts have been prepared on a historical cost basis, except for derivative financial instruments, which were not accounted for using hedge accounting and are stated at fair value.

The basis of consolidation and accounting principles applied are explained in note 32.

## 1) Activity and description of the Group

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

Each concept's 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's business model is characterized 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 Group's logistics system is based on constant deliveries from the distribution centers of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centers for each concept in which inventory is stored and distributed to stores worldwide.

At 31 January 2009 the different group formats have stores in 73 countries, as follows:

	Number of stores		
	Company-managed	Franchises	Total
Spain	1,862	34	1,896
Rest of Europe	1,504	156	1,660
America	283	55	338
Rest of the World	72	298	370
<b>Total</b>	<b>3,721</b>	<b>543</b>	<b>4,264</b>

At 31 January 2008, the geographical distribution of stores was as follows:

	Number of stores		
	Company-managed	Franchises	Total
Spain	1,715	32	1,747
Rest of Europe	1,221	141	1,362
America	257	37	294
Rest of the World	43	245	288
<b>Total</b>	<b>3,236</b>	<b>455</b>	<b>3,691</b>

The majority of own stores are held under operating leases. Information on the main characteristics of lease contracts is provided in note 24.

## 2) Net sales

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 2008 and 2007 are as follows:

	2008	2007
Net sales in company-managed stores	9,546,573	8,666,110
Net sales to franchises	760,649	667,947
Other sales and services rendered	99,738	100,613
<b>Total</b>	<b>10,406,960</b>	<b>9,434,670</b>

## 3) Cost of merchandise

Details of this caption for 2008 and 2007 are as follows:

	2008	2007
Raw materials and consumables	4,540,347	4,269,269
Change in inventories	(47,627)	(183,310)
<b>Total</b>	<b>4,492,720</b>	<b>4,085,959</b>

Raw materials and consumables mainly include amounts relating to the acquisition or production by third parties of products held for sale or transformation, and other direct expenses related to the acquisition of goods.

#### 4) Operating expenses

Details of operating expenses are as follows:

	2008	2007
Personnel expenses	1,703,188	1,472,900
Operating leases (note 24)	1,028,377	855,378
Other operating expenses	976,322	898,091
<b>Total</b>	<b>3,707,887</b>	<b>3,226,369</b>

At 31 January 2009 the Group had a total of 89,112 employees (79,517 at 31 January 2008). Note 27 (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 24 provides more detailed information on the main characteristics of these leases, together with the related minimum future payment commitments.

“Other operating expenses” 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 centers to stores, decoration expenses, communications and all kinds of professional services.

#### 5) Other net operating income/expenses

This caption includes all operating expenses and income other than those associated with the Group’s commercial and logistics activity, which are included under “Operating expenses” in the consolidated income statement, as described in the previous note.

This caption 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 (see notes 21 and 32). These variations are mainly 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. This caption also includes donations made during the year, gains on disposal of investments and expenses relating to the launching of new commercial formats.

# INDITEX

Details of the main put-call options over these investments are given below:

## a) Subsidiary companies domiciled in Germany

At 31 January 2009 and 2008 the Group has a call option on 22% of the share capital of Zara Deutschland, GmbH. This shareholding belongs to Otto GmbH and Co. KG, which in turn has a put option to sell its entire shareholding to Industria de Diseño Textil, S.A.

These options may be exercised by the holders at any time. However, the exercised call option effectiveness is delayed to certain dates established in the related agreement, which vary depending on the moment in which the option predetermined is exercisable. These options have no premium or compensation of any kind attached and the strike price will depend mainly on the contributions made by Otto GmbH and Co. KG to the shareholders' equity of the subsidiary and on the number of ZARA stores opened in Germany after 1 February 2006.

## b) 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 of 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 shareholder. 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.

## 6) Financial results

Details of "Net financing revenue/costs" in the consolidated income statements for 2008 and 2007 are as follows:

	2008	2007
Interest income	26,067	20,603
Foreign exchange gains	20,075	15,280
Dividends	177	144
Total income	46,319	36,026
Interest expense	(9,372)	(4,659)
Foreign exchange losses	(58,546)	(28,836)
Changes in fair value of financial instruments	-	(1,568)
Total expenses	(67,918)	(35,063)
<b>Total</b>	<b>(21,599)</b>	<b>964</b>

Financial income and expenses mainly comprise interest accrued on the Group's financial assets and liabilities during the year (see note 19). Net foreign exchange differences are principally due to fluctuations in the currencies with which the Group operates (see note 26) between the time when income, expenses, acquisitions or disposals of assets are recognized and when the corresponding assets or liabilities are realized or settled under applicable accounting principles.

Details of financial income and expenses recognized in equity during the period are as follows:

	2008	2007
Changes in fair value derived from hedging	60,363	(5,827)
Foreign exchange translation differences	(38,213)	(6,516)
<b>Total</b>	<b>22,150</b>	<b>(12,343)</b>

## 7) Earnings per share

Basic earnings per share were 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 treasury shares held by the Group (see note 22), which in 2008 and 2007 totaled 621,711,085 and 620,942,175, respectively.

Diluted earnings per share are calculated based on profit attributable to the holders of equity instruments of the Company and a weighted average number of ordinary shares outstanding after adjustment for the dilution effect of all potential ordinary shares. The share-based payment plan referred to in note 27 has not had a significant impact on the calculation of diluted earnings per share.

## 8) 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 targeted 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 Group has modified its main segment groupings with respect to 2007 as the different group chains other than Zara and Bershka did not meet the minimum quantitative requirements set out in International Accounting Standard 14 Segment Reporting. The “Zara” and “Bershka” formats are therefore described as the principal business segments, and the remaining segments described in the annual accounts for the year ended 31 January 2008, which grouped the operations carried out by the “Pull & Bear”, “Massimo Dutti”, “Stradivarius”, “Oysho” and “Zara Home” formats, are included as non-assigned information. In line with the grouping criteria applied by the Group in preparing its consolidated annual accounts for the 2007, operations relating to the Kiddy’s Class format have been grouped with those of the Zara segment. The new group format “Uterqüe” is also included as non-assigned information.

As a result of the changes in the groupings relating to segment information, the Company has re-classified the data corresponding to the comparative period.

## **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, Asia and the Rest of the World, and America – are determined based on the similarity of commercial, economic and political conditions and the proximity of operations. In the presentation of information by geographical segment, ordinary income is based on the geographical location of customers and segment assets are based on the geographical location of assets.

## **Primary and secondary segments**

The origin and predominant nature of the risks and rewards of the Inditex Group’s 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 organization of the Inditex Group, the decision-making process and the system for communicating information to the board of directors and group management are organized primarily by commercial format, followed by geographical areas.

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Information of the Inditex Group by segments are as follows:

## FY2008

	<b>ZARA</b>	<b>Bershka</b>	<b>Not assigned</b>	<b>Eliminations on consolidation</b>	<b>Total</b>
Total revenue	7,520,933	1,036,790	2,597,690	-	11,155,413
Inter-segment revenue	696,503	11,265	40,684	(748,452)	
Revenue from third parties	6,824,430	1,025,524	2,557,006	-	10,406,960
Segment result	1,074,885	154,537	398,611	-	1,628,033
Segment assets	3,886,227	727,706	1,913,943	-	6,527,876
Segment liabilities	2,090,124	162,224	437,016	-	2,689,364
Segment investments	605,503	89,794	308,452	-	1,003,749
Amortization and depreciation	412,291	46,168	119,861	-	578,320
Expenses without cash outflow	38,613	1,105	1,881	-	41,599
ROCE	32%	56%	44%	-	36%
Number of stores	1,520	591	2,153	-	4,264

## FY2007

	<b>ZARA</b>	<b>Bershka</b>	<b>Not assigned</b>	<b>Eliminations on consolidation</b>	<b>Total</b>
Total revenue	6,661,184	925,637	2,246,632	-	9,833,453
Inter-segment revenue	397,134	427	1,222	(398,782)	0
Revenue from third parties	6,264,050	925,211	2,245,409	-	9,434,670
Segment result	1,091,350	153,814	380,515	-	1,625,679
Segment assets	3,668,278	641,814	1,701,807	-	6,011,899
Segment liabilities	1,766,793	161,060	427,282	-	2,355,135
Segment investments	641,602	74,026	302,767	-	1,018,395
Amortization and depreciation	338,879	45,862	111,922	-	496,663
Expenses without cash outflow	45,607	1,023	3,712	-	50,342
ROCE	41%	59%	47%	-	43%
Number of stores	1,361	510	1,820	-	3,691

The segment result refers to the operating result (EBIT) of the segment, increased or decreased, where appropriate, by the "Other net operating income/expenses" caption. In accordance with IAS 14, and with a view to maintaining the coherence between the figures in the balance sheet and income statement, segment assets and liabilities indicated in the table above exclusively refer to those used in or derived directly from activity, and do not include assets or liabilities relating to income tax, accounts receivable or payable, loans, investments or any other item that generates financial results, as these 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.

# INDITEX

Return on Capital Employed (ROCE) is defined as the ratio between the segment's result for the year (EBIT) and the total net average assets of the segment, which include those derived from activity as well as financial and tax-related assets.

	Sales to third parties	
	2008	2007
Spain	3,730,299	3,746,817
Rest of Europe	4,809,263	4,093,086
America	1,038,065	974,089
Asia and rest of the world	829,333	620,678
<b>Total</b>	<b>10,406,960</b>	<b>9,434,670</b>

	Net assets		Investment	
	31/01/09	31/01/08	2008	2007
Spain	1,909,512	1,980,293	404,707	433,770
Rest of Europe	3,917,175	3,487,227	468,803	477,636
America	449,325	411,362	49,407	80,024
Asia and rest of the world	251,864	133,017	80,832	26,965
<b>Total</b>	<b>6,527,876</b>	<b>6,011,899</b>	<b>1,003,749</b>	<b>1,018,395</b>

## 9) Trade and other receivables

Details of this caption at 31 January 2009 and 2008 are as follows:

	31/01/09	31/01/08
Trade receivables	120,923	88,502
Sales to franchises	133,053	112,094
Public entities	249,471	188,554
Other current receivables	81,864	74,566
<b>Total</b>	<b>585,311</b>	<b>463,716</b>

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

Part of the Group's activity is carried out through franchised stores (see note 1). 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 26.

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

Other current receivables include items such as rental incentives due from shopping center developers (see note 24) and outstanding balances on sundry operations.

## 10) Inventories

Details at 31 January 2009 and 2008 are as follows:

	31/01/09	31/01/08
Raw materials and consumables	45,598	46,395
Work in progress	17,693	23,826
Finished goods for sale	991,549	936,992
<b>Total</b>	<b>1,054,840</b>	<b>1,007,213</b>

The Group contracts insurance policies to cover the potential risk of damage to its inventory.

## 11) Property, plant and equipment

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

	Land and buildings	Leasehold improvements, machinery and furniture	Other plant and equipment	Advances and work in progress	Total
<b>Cost</b>					
Balance at 01/02/2007	643,456	3,333,197	139,927	197,951	4,314,531
Acquisitions	138,156	605,524	34,251	122,484	900,415
Disposals	(16,741)	(94,034)	(3,811)	(14,477)	(129,063)
Transfers	78,594	(4,889)	4,034	(80,947)	(3,208)
Effect of movement in foreign exchange	(1,348)	(26,963)	(618)	(587)	(29,516)
Balance at 31/01/2008	842,117	3,812,835	173,783	224,424	5,053,159
Balance at 01/02/2008	842,117	3,812,835	173,783	224,424	5,053,159
Acquisitions	44,759	606,782	40,594	183,685	875,820
Disposals	(4,454)	(69,375)	(3,859)	(9,936)	(87,624)
Transfers	3,305	115,269	(1,121)	(137,427)	(19,974)
Effect of movement in foreign exchange	571	(66,802)	(6,398)	570	(72,059)
<b>Balance at 31/01/2009</b>	<b>886,298</b>	<b>4,398,709</b>	<b>202,999</b>	<b>261,316</b>	<b>5,749,322</b>
<b>Depreciation</b>					
Balance at 01/02/2007	135,763	1,292,319	72,134	-	1,500,217
Depreciation charge for the year	21,014	412,062	20,911	-	453,988
Disposals	(3,551)	(89,342)	(1,711)	-	(94,604)
Transfers	(3,644)	(3,841)	366	-	(7,119)
Effect of movement in foreign exchange	(55)	(2,308)	95	-	(2,268)
Balance at 31/01/2008	149,527	1,608,890	91,795	-	1,850,212
Balance at 01/02/2008	149,527	1,608,890	91,795	-	1,850,212
Depreciation charge for the year	46,469	407,503	30,049	-	484,021
Disposals	(3,194)	(39,094)	(1,216)	-	(43,504)
Transfers	104	(730)	(24)	-	(650)
Effect of movement in foreign exchange	(4,050)	(927)	(7,112)	-	(12,089)
<b>Balance at 31/01/2009</b>	<b>188,856</b>	<b>1,975,642</b>	<b>113,492</b>	<b>0</b>	<b>2,277,990</b>
<b>Impairment losses (note 32.2-g)</b>					
Balance at 01/02/2007	-	25,499	-	-	25,499
Impairment charge	-	4,861	-	-	4,861
Applications	-	(3,113)	-	-	(3,113)
Disposals	-	(6,024)	-	-	(6,024)
Effect of movement in foreign exchange	-	(388)	-	-	(388)
Balance at 31/01/2008	-	20,835	0	-	20,835
Balance at 01/02/2008	-	20,835	-	-	20,835
Impairment charge	-	22,794	-	0	22,794
Applications	-	(13,841)	-	-	(13,841)
Effect of movement in foreign exchange	-	(777)	-	-	(777)
<b>Balance at 31/01/2009</b>	<b>0</b>	<b>29,011</b>	<b>0</b>	<b>0</b>	<b>29,011</b>
<b>Net carrying amount</b>					
Balance at 31/01/2008	692,590	2,183,110	81,988	224,424	3,182,112
Balance at 31/01/2009	697,442	2,394,056	89,507	261,316	3,442,321

“Other plant and equipment” includes, inter alia, information technology equipment and motor vehicles.

The impairment charge for the year corresponds to valuation adjustments relating to plant and equipment in stores, the amount of which is determined on the basis of the budget for 2009 and estimated growth in sales and expenses for the following two years in the business plan. The estimated cash flows for the period not covered by this plan are extrapolated taking into account forecast growth for comparable stores over the residual lease term.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, installations and furniture, whose gross cost value amounted to euros 481,622 thousand and euros 330,713 thousand at 31 January 2009 and 2008, respectively.

The Group contracts insurance policies to cover the potential risk of damage to its 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.

Likewise, standard measurement criteria are established at corporate level which enable the different exposure risks to be quantified, measured and insured.

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

## 12) Investment property

Investment property mainly relates to premises and other properties leased to third parties. Movement in this caption during 2008 and 2007 is as follows:

<b>Cost</b>	<b>31/01/09</b>	<b>31/01/08</b>
Opening balance	19,678	19,644
Acquisitions	-	34
<b>Closing balance</b>	<b>19,678</b>	<b>19,678</b>
<b>Amortization and depreciation</b>		
Opening balance	10,203	7,827
Acquisitions	1,020	2,376
<b>Closing balance</b>	<b>11,223</b>	<b>10,203</b>
<b>Net carrying amount</b>	<b>8,455</b>	<b>9,475</b>

The total market value of investment property at 31 January 2009 is approximately euros 20,000 thousand.

During 2008, euros 2,738 thousand (euros 1,678 thousand in 2007) of rental income on these properties has been included under Net sales – Other sales and services rendered (see note 2) in the consolidated income statement.

## 13) Rights over leased premises and other intangible assets

“Rights over leased premises” include amounts paid to proprietors and third parties in respect of lease 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 2008 and 2007 are as follows:

Cost	Rights over leased property	Patents and similar intangibles	Software	Advances and other intangible assets	Total
Balance at 01/02/2007	656,915	19,760	7,904	8,280	692,859
Acquisitions	94,291	3,510	1,964	1,269	101,034
Disposals	(8,964)	(222)	-	-	(9,186)
Transfers	5,476	-	-	(5,476)	0
Effect of movement in foreign exchange	(5,681)	-	(238)	(249)	(6,168)
<b>Balance at 31/01/2008</b>	<b>742,037</b>	<b>23,048</b>	<b>9,630</b>	<b>3,824</b>	<b>778,539</b>
Balance at 01/02/2008	742,037	23,048	9,630	3,824	778,539
Acquisitions	86,544	1,851	5,925	83	94,403
Disposals	(16,553)	0	(489)	(816)	(17,858)
Transfers	19	0	106	51	176
Effect of movement in foreign exchange	(9,088)	0	(404)	0	(9,492)
<b>Balance at 31/01/2009</b>	<b>802,959</b>	<b>24,899</b>	<b>14,768</b>	<b>3,142</b>	<b>845,768</b>
<b>Amortization</b>					
Balance at 01/02/2007	202,349	12,614	5,235	2,875	223,073
Amortization for the year	35,398	1,396	848	69	37,711
Disposals	(2,432)	(22)	-	-	(2,454)
Transfers	840	-	-	-	840
Effect of movement in foreign exchange	851	-	145	(2)	994
Restatement due to inflation	-	-	-	-	0
<b>Balance at 31/01/2008</b>	<b>237,006</b>	<b>13,988</b>	<b>6,228</b>	<b>2,942</b>	<b>260,164</b>
Balance at 01/02/2008	237,006	13,988	6,228	2,942	260,164
Amortization for the year	42,627	1,543	1,803	68	46,041
Disposals	(6,272)	0	(173)	0	(6,445)
Transfers	0	0	0	0	0
Effect of movement in foreign exchange	(2,304)	0	(66)	0	(2,370)
<b>Balance at 31/01/2009</b>	<b>271,057</b>	<b>15,531</b>	<b>7,792</b>	<b>3,010</b>	<b>297,390</b>
<b>Impairment losses (note 32.2-g)</b>					
Balance at 01/02/2007	370	-	-	-	370
Impairment charge	57	-	-	-	57
<b>Balance at 31/01/2008</b>	<b>427</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427</b>
Balance at 01/02/2008	427	-	-	-	427
Impairment charge	7	-	-	-	7
<b>Balance at 31/01/2009</b>	<b>434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>434</b>
<b>Net carrying amount</b>					
Balance at 31/01/2008	504,604	9,060	3,402	882	517,948
<b>Balance at 31/01/2009</b>	<b>531,468</b>	<b>9,368</b>	<b>6,976</b>	<b>132</b>	<b>547,944</b>

## 14) Goodwill

Details of and movement in goodwill during 2008 and 2007 are as follows:

	2008	2007
Opening balance	125,583	98,992
Acquisitions	6,102	39,002
Disposals	-	(13,000)
Other	-	589
<b>Closing balance</b>	<b>131,685</b>	<b>125,583</b>

  

Subsidiary	2008	2007
Stradivarius España, S.A.	53,253	53,253
BCN Diseños, S.A. de C.V.	15,523	15,523
Zara Polska, S.p. Zo.o.	35,940	29,838
Zao Zara CIS	19,822	19,822
Pull & Bear CIS	428	428
Stradivarius CIS	6,719	6,719
<b>Closing balance</b>	<b>131,685</b>	<b>125,583</b>

Goodwill corresponding to Stradivarius España, 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.

The goodwill corresponding to BCN Diseños, S.A. de C.V. was generated upon acquisition of the holder of the franchise rights to the Massimo Dutti format in Mexico in 2004.

In 2005 Inditex acquired a 51% share in the Polish company previously known as Young Fashion Sp. Z.o.o. (currently Zara Polska, S.p. Z.o.o.), which until then held the franchise rights to Zara in that country, and reserved the right to acquire an additional 29% as of 1 February 2008. The voting rights for 80% of the share capital had already been acquired by Inditex, and were paid for in August 2005, although legal ownership of the aforementioned 29% of shares remained with the partner until Inditex exercised its right to acquire this.

Inditex granted the seller a put option on the remaining 20% of share capital, exercisable as of June 2008 at a price that depended on results for the year prior to that in which the option was to be exercised. On 22 January 2009 Inditex acquired this 20% from Zara Polska S.p. Z.o.o. At 31 January 2009 a current liability has been recorded with a balancing entry under "Goodwill" in order to recognize this liability.

In 2006 Inditex acquired 100% of the share capital of the Russian company previously known as Zao Stockmann-Kranoselskaya (currently Zao Zara CIS), which until then held the franchise rights to Zara in that country.

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In 2007 Inditex rescinded the franchise contracts of the companies which held the franchise rights to the Pull & Bear and Stradivarius formats in Russia, thus generating goodwill of euros 428 thousand and 6,719 thousand, respectively. As indicated in note 16, Fibracolor was fully consolidated in 2007.

Inditex took control of Fibracolor, S.A. in 2007 as a result of the commitments acquired between shareholders in prior years. The amount of net assets was recorded in the income statement as the requirements to recognize goodwill were not met, which was not significant for the Group.

Goodwill arising from the acquisition or cancellation of franchise contracts is equivalent to the value of intangible assets that do not comply with the requirements established in IFRS 3 for separate recognition. Certain franchise agreements entered into by the Group include call options which, if exercised, would allow the Group to acquire all of the shares of franchised entities or, alternatively, the rights to the leases for the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The recoverability of goodwill is sufficiently guaranteed through the profitability of the acquired companies, whose cash flows justify their net value at year end (note 32.2-g).

## 15) Financial investments

Details of and movement in financial investments during 2008 and 2007 are as follows:

	Investment securities	Investments in EIGs	Bank deposits	Loans and other credit facilities	Total
Balance at 01/02/2007	5,491	10,643	13,783	3,458	33,375
Acquisitions	-	24,464	-	13,136	37,600
Disposals	-	(20,476)	-	-	(20,476)
Transfer to current assets	-	-	(13,783)	-	(13,783)
Other	-	-	-	(542)	(542)
<b>Balance at 31/01/2008</b>	<b>5,491</b>	<b>14,631</b>	<b>-</b>	<b>16,052</b>	<b>36,174</b>
Balance at 01/02/2008	5,491	14,631	-	16,052	36,174
Acquisitions	95	-	-	-	95
Disposals	-	(14,631)	-	(10,317)	(24,948)
Transfer to current assets	-	-	-	-	0
Other	3,095	-	-	-	3,095
<b>Balance at 31/01/2009</b>	<b>8,681</b>	<b>-</b>	<b>-</b>	<b>5,735</b>	<b>14,416</b>

Non-current investment securities mainly correspond to a stake in Banco Gallego.

The investment in Economic Interest Groupings (EIGs) comprises Inditex's shareholding in fourteen 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 23), the effect of which is shown under "Income tax" in the consolidated income statement.

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## 16) Investments in associates

In 2007 the investment in Fibracolor, S.A. was treated as a subsidiary, as Inditex is understood to exercise control over this company. The impact on the Group's net assets, liabilities and results was not significant.

## 17) Other non-current assets

Details of and movement in this caption of the consolidated balance sheet during 2008 and 2007 are as follows:

	Guarantees	Other	Total
Balance at 01/02/2007	81,177	16,906	98,083
Acquisitions	23,713	5,886	29,599
Disposals	(1,586)	(1,880)	(3,466)
Profit/(Loss) for the year	-	-	-
Transfers	-	300	300
Effect of movements in foreign exchange	(795)	(4,026)	(4,821)
<b>Balance at 31/01/2008</b>	<b>102,509</b>	<b>17,186</b>	<b>119,695</b>
Balance at 01/02/2008	102,509	17,186	119,695
Acquisitions	35,033	6,968	42,001
Disposals	(4,995)	(5,440)	(10,435)
Profit/(Loss) for the year	-	-	-
Transfers	(5)	(94)	(94)
Effect of movements in foreign exchange	13,266	251	13,517
<b>Balance at 31/01/2009</b>	<b>145,808</b>	<b>18,871</b>	<b>164,684</b>

Guarantees mainly correspond to amounts deposited with proprietors of leased commercial premises to ensure compliance with the conditions stipulated in lease contracts (see note 24).

## 18) Trade and other payables

Details of this caption of the 2008 and 2007 consolidated balance sheets are as follows:

	31/01/09	31/01/08
Trade payables	1,540,765	1,455,784
Personnel	116,953	122,151
Public entities	305,554	296,179
Other current payables	109,869	101,137
<b>Total</b>	<b>2,073,141</b>	<b>1,975,251</b>

## 19) Net financial position

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

	31/01/09	31/01/08
Cash in hand and at banks	741,568	538,660
Short-term deposits	89,748	134,393
Fixed income securities	634,975	792,782
<b>Total cash and cash equivalents</b>	<b>1,466,291</b>	<b>1,465,835</b>

Details of group debt with financial entities are as follows:

	31/01/2009			31/01/2008		
	Current	Non-current	Total	Current	Non-current	Total
Loans	10,356	6,247	16,603	31,775	33,663	65,439
Credit facilities	220,458	-	220,458	333,494	0	333,494
Finance leases	3,213	6,994	10,207	6,006	8,695	14,701
Other financial debt	10	-	10	-	-	-
	234,037	13,241	247,278	371,276	42,358	413,634

At 31 January 2009 the Group has a draw-down limit of euros 1,156,483 thousand on its credit facilities (euros 824,982 thousand at 31 January 2008).

Interest on financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market 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:

	31/01/2009	31/01/2008
Euro	185,086	290,913
US Dollar	8,636	10,102
Other European currencies	7,142	49,600
Other American currencies	45,402	44,942
Other currencies	1,012	18,076
	247,278	413,634

The maturity of group debt with financial entities at 31 January 2009 and 2008 is as follows:

	31/01/2009	31/01/2008
Less than one year	234,037	371,276
Between one and five years	13,241	42,358
More than five years	-	-
	247,278	413,634

## 20) Provisions

Details of and movement in this caption of the consolidated balance sheet during 2008 is as follows:

	<b>Pensions and similar obligations with personnel</b>	<b>Liabilities</b>	<b>Total</b>
Balance at 01/02/2008	4,897	42,784	47,681
Provisions made during the year	1,906	55,074	56,980
Provisions used during the year	(281)	(2,089)	(2,370)
Transfers	0	0	0
Effect of movement in foreign exchange	(462)	(9)	(471)
Balance at 31/01/2009	<b>6,060</b>	<b>95,760</b>	<b>101,820</b>

### *Provision for pensions and similar obligations with personnel*

In accordance with commitments, some group companies are required to meet certain obligations with personnel. The Group has a provision to cover the actuarial liability corresponding to the estimated accrued portion of these commitments at 31 January 2009.

### *Provision for liabilities*

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 constructive obligations deriving from past actions which include a probable outflow of resources that has been reliably estimated. At the date of preparation of these consolidated accounts, there are no litigation proceedings whose final outcome 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 when any eventual liabilities may have to be settled.

## 21) Other non-current liabilities

Details of and movement in this caption of the consolidated balance sheet during 2008 and 2007 are as follows:

	Options with partners	Lease incentives	Other	Total
Balance at 01/02/2007	30,263	150,597	9,210	190,070
Additions	4,043	49,119	1,145	54,307
Changes through profit or loss	-	(12,734)	-	(12,734)
Disposals	-	(781)	-	(781)
Transfer to short-term	-	-	-	0
Effect of movements in foreign exchange	(726)	(648)	-	(1,374)
<b>Balance at 31/01/2008</b>	<b>33,580</b>	<b>185,553</b>	<b>10,355</b>	<b>229,488</b>
Balance at 01/02/2008	33,580	185,553	10,355	229,488
Additions	1,950	86,700	14,750	103,400
Changes through profit or loss	-	(15,384)	-	(15,384)
Disposals	-	(1,990)	-	(1,990)
Transfer to short-term	-	-	-	0
Effect of movements in foreign exchange	-	(7,224)	-	(7,224)
<b>Balance at 31/01/2009</b>	<b>35,530</b>	<b>247,655</b>	<b>25,105</b>	<b>308,290</b>

Additions through profit and loss have been recognized under “Other net operating income/expenses” and “Operating expenses” (euros 600 thousand in 2008 and euros 2,475 thousand in 2007) (see note 5) and “Financial results” (euros 1,350 thousand in 2008 and euros 1,568 thousand in 2007) (see note 6) of the consolidated income statement.

## 22) Capital and reserves

### Share capital

At 31 January 2009 and 2008, 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. As shares are represented by book entries and the Company therefore does not maintain a record of shareholders, it is not possible to accurately know the share structure of the Company. According to public information registered with the Spanish Stock Exchange Commission, at 31 January 2009 the members of the board of directors controlled, directly or indirectly, approximately 59.348% of parent company share capital, compared to 59.329% as at 31 January 2008 (see note 30).

## Treasury shares

Treasury shares held by the Inditex Group comprise the following:

- 41,000 treasury shares at 31 January 2009 (41,000 as at 31 January 2008) with an average acquisition cost of euros 2.18 per share.
- 180,264 shares with an acquisition cost of euros 2.93 per share (2,333,809 at 31 January 2008), corresponding to the following operation:

At the meetings held on 20 July 2000, 19 January 2001 and 20 April 2001 the shareholders of Inditex agreed to launch a share option plan which awarded board members and management of Inditex and its group of subsidiaries 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 to 3,018,400 shares of a capital increase carried out in January 2001 and signed a call option agreement in favor 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 expiration of this plan, 2,348,383 residual shares remained, which Inditex acquired in 2007 and recorded as treasury shares. As described in note 27, the shareholders at an annual general meeting agreed to incorporate these remaining shares into a new share-based remuneration plan, which matured in 2008.

## 23) Income tax

With the exception of Inditex, S.A. and Indipunt, S.L., companies whose information is incorporated into these consolidated annual accounts file individual tax returns.

Inditex, S.A. is the parent of a group of companies that files consolidated tax returns in Spain. The consolidated tax 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 comprise this tax group are the following:

Bershka Logística, S.A.	Lefties España, S.A.	Stradivarius España, S.A.
Bershka BSK España, S.A.	Massimo Dutti Logística, S.A.	Stradivarius Logística, S.A.
Choolet, S.A.	Massimo Dutti, S.A.	Trisko, S.A.
Comditel, S.A.	Nikole, S.A.	Uterqüe España, S.A.
Confecciones Fíos, S.A.	Oysho España, S.A.	Uterqüe Logística, S.A.
Confecciones Goa, S.A.	Oysho Logística, S.A.	Uterqüe, S.A.
Denllo, S.A.	Plataforma Europa, S.A.	Zara España, S.A.
Fashion Logistics Forwarders, S.A.	Plataforma Logística León, S.A.	Zara Home España, S.A.
Glencare, S.A.	Plataforma Logística Meco, S.A.	Zara Home Logística, S.A.
Goa-Invest, S.A.	Pull & Bear España, S.A.	Zara Logística, S.A.
Grupo Massimo Dutti, S.A.	Pull & Bear Logística, S.A.	Zara, S.A.
Hampton, S.A.	Samlor, S.A.	Zintura, S.A.
Inditex, S.A.	Skhuaban, S.A.	
Kiddy's Class España, S.A.	Stear, S.A.	

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

“Income tax payable” in the consolidated balance sheet corresponds to the 2008 income tax provision, net of withholdings and payments on account made during the period. “Trade and other payables” include the liability deriving from the remaining applicable taxes.

“Income tax receivable” in the consolidated balance sheet mainly relates to withholdings on account of income tax. “Trade and other receivables” mainly include the difference between VAT recoverable and VAT receivable.

Inditex, S.A. holds a 49% stake in nine economic interest groupings (EIGs), 50% in two EIGs, 49.50% in two EIGs and 46% in one EIG, the principal activity of which is the leasing of assets. These groupings requested from the tax authorities, and were granted, tax incentives provided for in income tax legislation (see note 15).

The aforementioned operations have given rise to positive and negative adjustments to taxable income, which have been treated as permanent differences. In relation to the aforementioned first nine entities, positive taxable income of euros 42,033 thousand has been integrated, and negative taxable income of euros 80,537 thousand for the remaining five. Furthermore, for these operations the Group has applied a credit for investments of euros 11,349 thousand, a valuation allowance for the corresponding investments of euros 21,851 thousand, and a reduction in deferred tax liabilities of euros 6,083 thousand. The effects of these adjustments have been recognized in the income tax expense account, representing, in total, a reduction in the expense of euros 7,132 thousand.

The 2008 income tax calculation is based on profit reported for accounting purposes, obtained in conformity with EU-IFRS, which may differ from the profit for fiscal purposes. The income tax expense includes both current and deferred income tax as follows:

	2008	2007
Current taxes	211,010	407,519
Deferred taxes	114,312	(19,647)

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A reconciliation of the income tax expense under the prevailing Spanish general income tax rate to “Profit before tax” and the expense recorded in the consolidated income statement for 2008 and 2007 is as follows:

	2008	2007
Consolidated accounting income before taxes	1,586,937	1,645,636
Income tax expense at tax rate prevailing in the country of the parent company	476,081	534,832
Net permanent differences:		
Individual companies	(156,190)	(75,775)
Consolidation adjustments	(24,602)	17,704
Effect of tax rates in foreign jurisdictions	26,141	(4,982)
Offset of tax loss carryforwards	0	(4,922)
Capitalization of prior years' losses and credits	(8,145)	0
Adjustment to prior years' taxes	(4,075)	(3,131)
Income tax recognized directly in reserves	36,294	0
Other adjustments	42,488	(10,181)
Adjustments to deferred tax assets and liabilities	3,246	0
Tax credits and deductions	(65,916)	(65,673)
Income tax expense	325,322	387,872

Positive permanent differences mainly correspond to non-deductible expenses, charges to non-deductible provisions, adjustments to taxable income due to the transition to the new General Chart of Accounts approved by Royal Decree 1514 of 16 November 2007, in relation to the treatment of valuation adjustments of investments in entities that affect Spanish companies, and the portion attributable to taxable income related to a contribution of rights to use certain assets to a subsidiary.

Negative permanent differences mainly correspond to tax loss carryforwards generated by economic interest groupings, the tax deductibility of personnel expenses settled in the current year through equity instruments, and adjustments to taxable income due to the transition to the new General Chart of Accounts in relation to the valuation of investments in entities.

The difference between the tax burden for 2008 and 2007 and the amounts payable for these periods, recognized in the “deferred tax assets” and “deferred tax liabilities” captions of the consolidated balance sheets as at 31 January 2008 and 2009, relates to temporary differences generated by variations between the carrying amount of assets or liabilities and the value that constitutes the tax base thereof.

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Details of “deferred tax assets” and “deferred tax liabilities” in the accompanying balance sheet are as follows:

Deferred tax liabilities:	2008	2007
Lease operations	2,868	3,924
Intragroup operations	28,032	50,577
Amortization	23,234	13,910
Subsidiary valuation adjustments	93,054	0
Reinvestment of profits	4,188	4,304
Other	62,471	38,242
<b>Total</b>	<b>213,847</b>	<b>110,957</b>

Deferred tax assets:	2008	2007
Provisions	56,379	17,881
Amortization	18,917	1,505
Tax losses	36,773	24,895
Intragroup transactions	51,744	50,864
Lease incentives	7,740	0
Other	31,547	37,875
<b>Total</b>	<b>203,100</b>	<b>133,020</b>

Movement in deferred tax assets and liabilities in 2008 and 2007 is as follows:

	Deferred tax	
	liabilities	Deferred tax assets
Balance at 01/02/2008	110,957	133,020
Charge/credit to income statement	93,090	41,278
Charge/credit to reserves	9,800	28,802
<b>Balance at 31/01/2009</b>	<b>213,847</b>	<b>203,100</b>

These balances have been determined based on tax rates which, according to enacted fiscal legislation, will be in force during the years in which the balances are expected to reverse and which, in certain cases, differ from the tax rates prevailing in the current year.

The difference between balances calculated at the prevailing and new tax rates has impacted the accrued income tax expense.

As permitted by the prevailing tax legislation in each country, group companies have applied tax credits amounting to euros 65,916 thousand (euros 65,673 thousand at 31 January 2008). These credits and deductions mainly relate to investments and, to a lesser extent, to other credits.

At 31 January 2009, the Group has tax losses of euros 207,830 thousand (euros 138,053 thousand at 31 January 2008) which may be offset against future profits, the majority of which may be utilized indefinitely. Deferred tax assets in respect of tax losses are only recognized when there is evidence that future taxable profits will be available against which the asset can be utilized. At 31 January 2009 the credit for losses to be offset that appears under assets in the balance sheet amounts to euros 35,620 thousand. The Company has also recognized an account for deductions carried forward of euros 1,153 thousand.

Tax inspections were initiated on the tax group during the year, which to date have focused on the parent company Industria de Diseño Textil, S.A. Certain foreign subsidiaries are also being inspected in Italy, Portugal and France.

The Company does not expect that significant additional liabilities will arise as a result of these inspections or those that could be carried out in the future in relation to periods that have not yet expired.

Years open to inspection by the tax authorities for all main applicable taxes vary depending on the tax legislation in each country. The directors do not expect that any significant additional liabilities affecting group equity or results would arise in the event of inspection.

## 24) 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 rewards inherent to ownership.

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

In many cases the lease contracts simply establish a fixed rental payment, normally monthly, adjusted for inflation based on a price index. 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 periodically indexed to market rates, which on occasion entails an increase in rent, but rent is not reduced when market rates fall. Occasionally, staggered rental payments are agreed, which means cash outflows can be reduced during the initial years of the use of commercial premises, although the expense is recognized on a straight-line basis (see note 32.2-p). Free rental periods are also frequently established in order to avoid having to pay rent when premises are being refurbished and prepared for opening.

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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 recognized as non-current assets (see note 13) and are generally amortized over the term of the lease contract.

On certain occasions, shopping center developers or the proprietors of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are treated as lease incentives (see note 21) and are taken to income 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 at least 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:

	<b>2008</b>	<b>2007</b>
Minimum installments	894,435	701,410
Contingent installments	133,942	153,968
	<b>1,028,377</b>	<b>855,378</b>
Sub-leasing collections	7,693	2,046

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

	<b>2008</b>			<b>2007</b>		
	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	596,673	1,030,610	624,982	533,457	1,099,425	799,299

## 25) Finance leases

The Group has contracted finance leases mainly for commercial premises and logistics centers. The corresponding leased assets are recorded under tangible assets in the consolidated balance sheet (see note 11), while the related debt is recognized as a financial liability (see note 19). The net carrying amount of items acquired under lease financing and the future amounts payable until the leases expire are as follows:

	31/01/2009	31/01/2008
Cost of the asset	40,353	54,386
Accumulated depreciation	(11,314)	(12,310)
	<b>29,039</b>	<b>42,076</b>

	Minimum payments	
	31/01/2009	31/01/2008
Less than one year	3,213	6,006
Between one and five years	6,994	8,695
More than five years	-	-
	<b>10,207</b>	<b>14,701</b>

## 26) 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 centers on the uncertainty of financial markets and attempts to minimize the potential adverse effects on the Group's profitability through the use of certain financial instruments as described below.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks and any changes from the previous year.

### Exchange rate risk

The Group operates in an international environment and, accordingly, is exposed to exchange rate risk, particularly relating to the US Dollar and, to a lesser extent, 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.

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

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.

During 2008, had the value of the euro increased by 10% compared to the US Dollar and, as a result, compared to the rest of the foreign currencies linked to the US Dollar, all other things being equal, consolidated profit after income tax would have been approximately euros 49,451 thousand higher (euros 48,524 thousand in 2007), primarily because of the conversion of subsidiaries' financial statements expressed in currencies other than the euro, and the impact on the portion of merchandise purchases in US Dollars not covered by exchange-rate hedges.

## 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.

The Group also limits its exposure to credit risk by investing solely in products that have high liquidity and credit ratings.

Provision is made for the impairment of trade receivables when objective evidence exists that the Group will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The provision amounts to the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the effective interest rate, and is recognized in the income statement. Charges to the provision during the year as a result of value adjustments to the balances recorded under this caption have not been significant.

At 31 January 2009 and 2008 no significant outstanding balances exist. Furthermore, based on available historical data, the Group does not consider it necessary to make value adjustments to receivables which are not past due. The fair value of receivables is equal to their carrying amount.

The Group's policy is to only extend financial guarantees to subsidiaries.

## Liquidity 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, it reverts to loans, credit facilities or other types of financial instruments (see note 19).

Details of financial liabilities are disclosed in note 19, along with their expected maturities. The fair value of these financial liabilities does not differ substantially from their carrying amount.

## Interest rate risk

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

The Group does not have any financial assets or liabilities at fair value through profit and loss or interest-rate financial derivatives. Consequently, any changes in interest rates at year end will not significantly affect consolidated profits.

## Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue operating as a going concern so that it can continue to generate returns for shareholders, benefit other interested parties, and maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. No significant changes to capital management have been made during the year.

Neither the Company nor Inditex group subsidiaries are subject to strict capital management criteria.

## Financial instruments

Merchandise and goods for resale are partly acquired from foreign suppliers in US Dollars. In accordance with prevailing exchange rate risk policies, group management contracts derivatives, mainly forward contracts, to hedge cash flow fluctuations related with exchange rates.

Moreover, and as described in note 32.2.n), the Group applies hedge accounting to mitigate the volatility effect that contracting hedge instruments prior to recording the associated transactions would have on the consolidated income statement.

Consequently, the fair value of hedging derivatives has been recognized in equity during the year. A total of euros 10,330 thousand (euros 1,626 thousand in 2007) was reclassified to the income statement, the hedged portion of which was recognized under cost of sales and the speculative portion under net financing income/(costs). The ineffective portion of hedging derivatives has not been significant and has also been taken to net financing income/(costs).

At 31 January 2009 the Group held derivatives, mainly forward purchases, in US Dollars for a par value of US Dollars 894,173 thousand (US Dollars 529,950 thousand at 31 January 2008), as well as sales of 387,379 thousand Mexican Pesos (845,000 thousand at 31 January 2008) and 847,134 thousand Russian Roubles.

The fair value of forward exchange-rate contracts has been calculated based on market value, where available, and has otherwise been estimated by discounting the difference between the amount contracted and the value of the contract at year end at a risk-free rate, taking into account its residual maturity.

Approximately 60% of cash flows associated with hedges in US Dollars are expected to be generated during the six months subsequent to year end, while the remaining 40% is expected to be generated between six months to a year. It is also likely that the impact on consolidated profit and loss will arise during these periods.

Details of the various financial asset and liability categories are disclosed in notes 15 and 19. No amount has been recognized for the impairment of financial assets during 2008.

## 27) Employee benefits

### Defined benefit or contribution plan obligations

In general, the Group has no defined benefit or contribution plan obligations with its employees. However, in line with prevailing labor legislation or customary practice in certain countries, the Group assumes certain commitments related with the payment of specific amounts for accidents, illness, retirement, etc., to which employees sometimes contribute. The associated risk is partially or fully externalized through insurance policies. Furthermore, in some countries employees receive a share of profits. The liabilities associated with these items are recognized under "Trade and other payable" 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.

### Share-based payments

At their respective meetings held on 18 July 2006, the directors and shareholders of Inditex agreed to a share-based payment plan (hereinafter the Plan) whereby certain group employees would receive free on 1 October 2008 ordinary Inditex shares of euros 0.15 par value each belonging to the same class and series as the remaining shares of the Company.

Through this Plan, beneficiaries were assigned an initial number of “units” (not shares) in order to determine the number of shares they would receive, which is based on the number of units that can be converted into shares in line with the conditions attached. These units were not transferable to third parties, *inter vivos* or *causa mortis*, who would only be entitled to compensation in the event of early settlement deriving from the death of a beneficiary.

The Plan was aimed at members of the management team, including two executive board members and seven general managers, and other key employees of the Inditex Group.

The Plan was limited to a maximum of 2,348,383 shares, equivalent to 0.37% of share capital, which is the surplus amount of a previous share option plan. These shares were issued through a capital increase subscribed by a financial entity in order for the Company to fulfill its commitments with the beneficiaries of the plan. The Company acquired these shares by exercising its call option with the financial entity.

The Plan came into effect on 18 July 2006, the date on which the shareholders approved the Plan, and vested on 1 October 2008, when the beneficiaries’ right to receive the shares materialized, without prejudice to any early settlement.

One of the conditions for receiving shares was that the beneficiary had to be employed by Inditex or any Inditex Group company on the Plan’s vesting date, 1 October 2008, except in the case of early settlement (e.g. death, retirement, unfair dismissal or maternity leave), in which case the number of convertible units would be calculated in proportion to the time elapsed since the grant date (18 July 2006) and the Plan’s vesting date (1 October 2008).

The final number of shares to be received upon vesting of the Plan depended on the share’s revaluation in accordance with the conditions established by the board of directors: beneficiaries would be entitled to receive 100% of the shares corresponding to the units initially assigned when the average quotation price during 2006 and 2007 exceeded the weighted average quotation price during the last quarter of 2005 by a certain percentage established by the board of directors, based on the different forecast revaluation scenarios.

Fair value at the plan concession date was estimated at euros 48,046 thousand using commonly accepted valuation techniques, taking into account assumptions corresponding to the value of the share at the grant date, the average quotation, interest rates, the dividend payable or “dividend yield” and volatility. Personnel expenses recorded in the consolidated income statement for the year amount to euros 17,799 thousand (euros 22,139 thousand in 2007), with a balancing entry in equity. This Plan vested on 1 October and 2,153,545 shares were distributed to beneficiaries.

**28) Interest in joint ventures**

Inditex has a 50% stake 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 Logística, 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 that have been consolidated are as follows:

	<b>2008</b>	<b>2007</b>
Non-current assets	26,619	24,238
Current assets	121,854	80,231
Non-current liabilities	(2,852)	(832)
Current liabilities	(71,295)	(50,839)
Net assets	<b>74,326</b>	<b>52,798</b>
Revenues (*)	280,255	253,123
Expenses	(214,990)	(215,930)

(\*) Revenue from third parties other than the Group: euros 40,494 thousand and euros 31,988 thousand in 2008 and 2007, respectively.

**29) Proposed distribution of parent company profit**

The directors will propose that the 2008 net profit of the parent company, which amounts to euros 683,344 thousand, be distributed as follows: a maximum of euros 654,497 thousand as dividends (euros 1.05 per share) and euros 28,847 thousand to voluntary reserves.

**30) 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 senior management during 2008 is shown in the section on transactions with related parties.

As in 2007, 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 2009 the members of the board of directors held the following direct and indirect investments in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
Mr. Amancio Ortega Gaona	-	369,600,063 <sup>1</sup>	59.294%
Mr. Pablo Isla Álvarez de Tejera	139,800	-	0.022%
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	40,000	-	0.006%
GARTLER, S.L.	311,727,598	-	50.010%
Mr. Francisco Luzón López	-	-	0%
Ms. Irene R. Miller	30,239	-	0.005%
Mr. Juan Manuel Urgoiti López de Ocaña	27,739	-	0.004%
Mr. José Luis Vázquez Mariño	5,000	-	0.000%
Mr. Antonio Abril Abadín	97,515	-	0.016%
<b>Total</b>			<b>59.348%</b>

## Transactions with related parties

Related parties are subsidiaries, joint ventures and associates, details of which are shown in Appendix I to the consolidated annual accounts, as well as significant or controlling shareholders, members of the board of directors of Inditex and key management.

### Inditex Group companies

Operations between Inditex and its subsidiaries form part of regular activities and have been fully eliminated in the consolidation process and are therefore not shown in this note.

Details of operations between Inditex and its joint ventures which have not been completely eliminated in the consolidation process as they are proportionately consolidated are as follows.

Company	2009	2008
Joint ventures	(239,761)	(221,135)

<sup>1</sup> Through Gartler, S.L. and Partler 2006, S.L.

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Details of 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, Gartler, S.L. holds 50.010% of Industria de Diseño Textil, S.A. and is, therefore, the controlling shareholder of the Inditex Group. During 2008 operations carried out by the Inditex Group with the controlling shareholder, or with related persons or companies, are as follows:

2008:

<b>Nature of relationship</b>	<b>Type of operation</b>	<b>Amount (thousands €)</b>
Contractual	Asset leasing	(10,271)
Contractual	Asset leasing	157

2007:

<b>Nature of relationship</b>	<b>Type of operation</b>	<b>Amount (thousands €)</b>
Contractual	Asset leasing	(6,104)
Contractual	Asset leasing	279
Contractual	Works	4,544

Several 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.

## Members of the board of directors and management

Total remunerations and indemnities received by Inditex board members and management during 2008 are as follows:

	<b>BOARD MEMBERS</b>	<b>DIRECTORS</b>
Remunerations	5,164	10,817
Indemnities	-	2,933

Total remunerations and indemnities received by Inditex board members and management during 2007 were as follows:

	<b>BOARD MEMBERS</b>	<b>DIRECTORS</b>
Remunerations	4,518	10,179
Indemnities	-	560

In 2006 Inditex approved a share-based payment plan aimed at the management team, including two executive board members, and other key employees of the Inditex Group, the characteristics of which are described in note 27. This Plan vested on 1 October 2008 and the Company duly informed the Spanish National Securities Market Commission (CNMV) by means of a communication with acknowledgement of receipt on 7 October 2008.

As regards transactions with related parties, details of the number of shares received by board members and directors upon vesting of the Plan are as follows:

	No. of shares	
	received	% of capital
<b>BOARD MEMBERS</b>	121,500	0.019
<b>DIRECTORS</b>	455,748	0.073

Appendix II shows the information required by article 127 ter of the Spanish Companies Act, introduced by Law 26 of 17 July 2003, which modified Securities Market Law 24 of 28 July 1988, and the revised text of the Spanish Companies Act, enacted to enhance the transparency of listed entities.

## 31) External auditors

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

	<b>2008</b>	<b>2007</b>
Audit services	3,940	3,433
Other services	313	360
<b>Total</b>	<b>4,253</b>	<b>3,793</b>

In addition to the audit of the Inditex Group annual accounts, audit services rendered by KPMG Auditores, S.L. also include certain audit work related with the external audit.

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 0.0224% of total revenue.

## 32) Selected accounting policies

### 32.1) 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, liabilities and contingent liabilities assumed as part of a business combination are stated at fair value at the date of acquisition, providing this has taken place after 1 January 2004, the date of transition to EU-IFRS. Any excess over the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed at that date is recognized as goodwill, and in the opposite case, is recorded as income for the year. Acquisitions of entities prior to this date were recognized in accordance with generally accepted accounting principles in Spain once all necessary corrections and adjustments at the transition date were taken into account. In accordance with EU-IFRS, goodwill is not amortized but is systematically tested for impairment. Minority interest shown in the consolidated statement of changes in equity corresponds to investments held in group companies prior to the date of transition to EU-IFRS. Consequently, these investments are measured at an amount equivalent to the percentage of the net carrying amount of the assets and liabilities of the companies of which they are shareholders.

Any loss attributable to minority interest exceeding their interest is assumed by the Group when preparing 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. Details of subsidiaries, joint ventures and associates are provided in Appendix I.

# INDITEX

## *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's proportionate share in these entities' assets, liabilities, revenue, expenses and cash flows 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 or joint control, over the financial and operating policies. The consolidated annual accounts include the Group's share of the total recognized 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's share of losses exceeds its interest in an associate, the Group'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 an associate.

## *iv) Harmonization 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) Intragroup eliminations*

Intragroup balances and transactions, and any unrealized gains or losses 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 unrealized gains or losses arising from transactions with third parties, are eliminated in the consolidation process to the extent of the Group's interest in the entity. Unrealized gains or losses arising from transactions with associates are eliminated from the consolidated annual accounts to the extent of the Group's interest in the entity.

## *vi) Translation of foreign currency operations*

The Group has applied the exemption relating to accumulated translation differences from IFRS 1 First-time Adoption of International Financial Reporting Standards and, therefore, any translation differences recognized in the consolidated annual accounts generated prior to 1 January 2004 are recorded under reserves. Since that date, the financial statements of entities with a functional currency other than the euro are translated as follows:

- Assets and liabilities are translated to euro at foreign exchange rates prevailing 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 consolidated equity under "Translation differences".

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 consolidated equity until disinvestment in the subsidiary takes place, at which time the differences are recognized as income or expense for the year.

Exchange differences deriving from trade balances payable and receivable and financing operations between group companies, with foreseeable settlement, are recognized 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 (31 December 2008 see Appendix I). Significant operations carried out between the closing date of these subsidiaries and that of the consolidated accounts are harmonized accordingly.

## *ix) Changes to the consolidated group*

The following entities were incorporated and consolidated for the first time during the year:

Fashion Logistic Forwarders, S.A.	Zara Home Česká Republika, s.r.o	Bershka Commercial Beijing Co., Ltd
Bershka Österreich Clothing GmbH	Zara Home Polska, Sp zo.o	Pull & Bear Commercial Beijing Co., Ltd.
Massimo Dutti Česká Republika, s.r.o	Uterqüe Hellas	Bershka Hong Kong Limited
Stradivarius Česká Republika, s.r.o	Massimo Dutti Commercial Beijing Co., Ltd.	

The company named Often Portugal Conf. Lda. at 31 January 2008 changed its name during the year to Gruputerqüe Conf. Lda. The companies Skhuaban Hellas, S.A., Skhuaban France, S.A.R.L. and Skhuaban Italia, S.R.L. have been merged by absorption by Zara Hellas, S.A., Zara France, S.A.R.L. and Zara Italia, S.R.L., respectively.

The incorporations to the consolidated group referred to above have not had a material impact on the consolidated annual accounts for 2008.

## **32.2) Accounting principles**

The International Accounting Standards Board (IASB) has published the following standards which are pending adoption by the European Union and will become effective for accounting periods ended on or after the dates indicated for each case:

- IFRIC 11: IFRS 2: Group and Treasury Share Transactions (applicable for annual periods beginning on or after 1 March 2007)
- Reclassification of financial assets: Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (applicable as of 1 July 2008)
- IFRIC Interpretation 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable for annual periods beginning on or after 1 January 2008).

At the date of preparing these consolidated annual accounts the following have been adopted by the European Union and will therefore be applicable to the consolidated annual accounts for 2009 and thereafter (depending on the date of becoming applicable):

- IFRIC Interpretation 13 Customer Loyalty Programmes (for annual periods beginning on or after 1 July 2008)
- IFRS 8 Operating Segments (annual periods beginning on or after 1 January 2009). The effects of this standard will mainly relate to disclosures of financial information by segments

- Revision of IAS 1 Presentation of Financial Statements (revised 2007) (annual periods beginning on or after 1 January 2009)
- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (applicable as of 1 January 2009)
- Amendment to IAS 23 Borrowing Costs (revised 2007) (annual periods beginning on or after 1 January 2009)
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation (applicable as of 1 January 2009). This will have no impact on the Group's annual accounts as it does not carry out transactions of this type
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (applicable for annual periods beginning on or after 1 July 2009).

Furthermore, the following have been issued but not yet adopted:

- IFRS 1 revised with improved structure in 2008 (applicable for first financial statements for annual periods beginning on or after 1 January 2009). No effect on the Group's annual accounts
- Amendment to IFRS 3 Business Combinations (revised 2008) and amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures, and IAS 21 Effects of Changes in Foreign Exchange Rates. Effective prospectively for business combinations in which the acquisition date is in or after the first annual period beginning as of 1 July 2009
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement. This amendment relates to items that can be classified as hedged and should be applied retroactively to annual periods beginning on or after 1 July 2009
- IFRIC Interpretation 12 Service Concession Arrangements (annual periods beginning on or after 1 January 2008)
- IFRIC Interpretation 15 Agreements for the Construction of Real Estate. This interpretation should be applied retroactively to annual periods beginning on or after 1 January 2009
- IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation. This interpretation is effective for annual periods beginning on or after 1 October 2008
- IFRIC Interpretation 17 Distributions of Non-cash Assets to Owners (applicable for annual periods beginning on or after 1 July 2009)
- IFRIC Interpretation 18 Transfers of Assets from Customers (applicable for transactions made on or after 1 July 2009).

There is also a standard that incorporates different improvements to IFRSs, and thus amends different standards, which is effective for annual periods beginning on or after 1 July 2009. Taking into account that in general the improvements refer to clarifications of specific parts of the different standards, the Group does not consider that any of these will have a significant effect on its annual accounts.

Taking into account the activity carried out by the companies that form part of the Group, the directors of the Company do not consider that the application of the standards referred to in this note will have a significant effect on the Group's financial statements. The Group has not implemented early application of the aforementioned standards and interpretations.

The preparation of the consolidated annual accounts requires Inditex Group management to make judgments 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 liabilities with undetermined amounts or contingent liabilities.

Although these estimates have been made on the basis of the best information available on the matters analyzed at the time of preparing these consolidated 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, recognizing the effects of the change in estimation in the corresponding future consolidated annual accounts.

## **a) Foreign currency transactions**

Foreign currency transactions are translated to euro using the exchange rate prevailing 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 prevailing at that date. Foreign exchange differences arising on translation are recognized in the income statement as financial results.

Differences arising from the application of these exchange rates are included in consolidated equity under "Translation differences".

Cash flows from transactions in foreign currency are translated into euro in the consolidated cash flow statement at the exchange rate prevailing at the transaction date. The effect of variations in exchange rates on cash and cash equivalents expressed in foreign currencies is presented separately in the consolidated cash flow statement under “Effect of exchange rate fluctuations on cash and cash equivalents”.

## **b) Tangible assets**

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the asset enters into operation, less accumulated depreciation and any impairment losses or depreciation.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are as follows:

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

The Group reassesses residual values, useful lives and depreciation methods at the end of each financial year. Modifications to initially established criteria are recognized as changes in estimates.

After initial recognition of an asset, only costs that generate future economic benefits and which can be classified as probable and be reliably estimated are capitalized.

Repair and maintenance costs are expensed as they are incurred.

## **c) Rights over leased premises**

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

Rights over leased assets are recognized at cost of acquisition. After initial recognition, they are stated at cost less accumulated amortization and any impairment losses and are amortized 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**

- Patents and similar rights is stated at cost of acquisition or usufruct, or at the cost of registering the items developed by the Group, and is amortized on a straight-line basis over a maximum period of ten years.
- Software is stated at cost and amortized on a straight-line basis over a five-year period.

The Group reviews the residual value, useful lives and means of amortization of intangible assets at the end of each accounting period. Modifications to initially established criteria are recognized, where applicable, as changes in estimates.

## **e) Financial investments**

Financial investments which represent less than 20% of share capital are stated at fair value.

## **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. 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 12.

## **g) Impairment**

The Group systematically tests for impairment of 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 the business, 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, and thereafter at least once per year.

## Calculation of recoverable value

The recoverable value of assets is the higher 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 risk premium attached to the risk of uncertainty attached to the asset, and other factors which a market participant would consider in valuing the cash flows from the asset.

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 (CGU) 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 recognized for cash-generating units are initially allocated to reduce goodwill attributed to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each of the assets.

## 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 amortization, if no impairment loss had been recognized.

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.

Impairment losses are debited to amortization and depreciation in the consolidated income statement. Reversals of impairment losses on assets other than goodwill are credited to this account once internal or external sources of information have been analyzed and it can be concluded that the impairment indicators which determined the recognition of value adjustments no longer exist or have been partially mitigated.

## **h) Receivables**

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

Provision is made for impairment of trade receivables when there is objective evidence that the Group will not be able to collect the entire amount owed by the debtor in accordance with the terms of the debt. 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 recognized in the income statement.

## **i) Inventories**

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

Cost comprises all costs of acquisition, transformation and other costs incurred in bringing the inventories to their present location and condition.

Transformation costs comprise the costs directly related to the units produced and a systematically calculated portion of indirect, variable and fixed costs incurred during the transformation process.

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

The cost of inventories is adjusted when cost exceeds net realizable value. Net realizable value is considered as the following:

- Raw materials and other supplies: replacement cost. However, materials are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost
- Goods for resale: estimated selling price, less selling costs
- Work in progress: the estimated selling price for the corresponding finished products, less estimated costs of completion and selling costs.

## **j) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, call deposits with banks and other short-term highly-liquid investments, providing they are easily convertible into cash, which are exposed to insignificant risk of changes in value. Investments which mature in less than three months from the acquisition date are also included.

Bank overdrafts on demand which form part of the Group's cash management are included in the statement of cash flows as a component of cash and cash equivalents and are recognized as financial liabilities in the consolidated balance sheet.

The Group classifies cash flows relating to interest and dividends paid and received as financing activities.

## **k) Employee benefits**

Commitments acquired with group personnel to be settled in the long term are estimated based on their accrual through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion accrued at 31 January 2009.

Equity instruments granted to group employees are measured at the grant date. Personnel expenses accrued during the year are determined on the basis of the fair value of equity instruments at the grant date, the period over which services will be rendered and the number of instruments estimated to be definitively consolidated at the end of the period.

Transactions relating to share-based payments entered into prior to 7 November 2002 were recognized using accounting principles prevailing in Spain at the date of transition to EU-IFRS.

Personnel expenses accrued by the beneficiaries of the plan referred to in note 27 to the consolidated annual accounts are recognized with a credit to equity accounts during the period in which services are rendered.

## **l) Provisions**

Provisions are recognized 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.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement caption where the corresponding expense was recorded.

## **m) Financial liabilities**

Financial liabilities, including trade and other payables, are initially recognized at fair value less any transaction costs directly attributable to issuance of the liabilities, and are subsequently carried at amortized cost using the effective interest method.

## **n) Derivatives and hedging operations**

Financial instruments acquired to hedge transactions in foreign currencies are initially recognized at fair value plus any transaction costs directly attributable to acquiring the instrument

Foreign exchange rate hedges relating to firm purchase commitments are treated as cash flow hedges and are recognized in the consolidated statement of recognized income and expense, net of gains or losses derived from measuring the instrument at fair value which correspond to the effective portion of the hedge. The ineffective portion is taken to financial income or expense as appropriate.

Amounts recognized in equity are taken to income when the transaction takes place with a debit or credit to the account in which it was recognized. Losses recognized in equity which are not expected to be recovered in the future are reclassified to financial income or expense.

## **o) Revenue recognition**

The sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred.

Sales to franchises are recognized when the aforementioned conditions are met and when revenue can be reliably determined and collection is considered probable.

Rental income is recognized on a straight-line basis over the term of the lease.

Revenue from royalties is recognized using the accrual principle based on the substance of the contracts, providing collection is considered probable and the amount can be reliably estimated.

## **p) Leases**

Lease contracts in which the significant risks and rewards inherent to ownership of the asset are substantially transferred to third parties are classified as finance leases, and are otherwise recorded as operating leases.

Assets acquired through a finance lease are recognized as non-current assets at the lower of the present value of the future lease minimum payment and the fair value of the leased asset, while the corresponding debt with the lessor is recognized 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. Contingent rent is recognized in the period in which payment is probable, as are variable rent increases linked to the consumer price index.

Incentives received from shopping center developers or owners of commercial premises are recognized as non-current liabilities and booked as a reduction in rental expense under “Other operating expenses” on a straight-line basis over the term of the respective lease contracts.

## **q) Financial income and expenses**

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

## **r) Income tax**

Income tax comprises current and deferred tax and is recognized 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 recognized in the same or different years, in which case it is recognized 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 calculated using the balance sheet method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities comprise income tax amounts payable in the future on account of taxable temporary differences while deferred tax assets are amounts recoverable due to the existence of deductible temporary differences, tax loss carryforwards or deductions pending application.

The Group recognizes deferred tax assets and liabilities derived from temporary differences, except those relating to the initial recognition of goodwill and to the initial recognition of assets or liabilities of a transaction which is not a business combination and which did not affect either accounting or taxable profit (losses). Deferred tax assets and liabilities are also recognized for timing differences relating to investments in subsidiaries, except when the parent company can control their reversal and the timing differences will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets, whether recognized or not, are reviewed at each balance sheet date.

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognized on the consolidated balance sheet under non-current assets or liabilities, irrespective of the date of realization or settlement.

## **s) Current and non-current assets and liabilities**

The Group classifies assets and liabilities as current and non-current. Assets and liabilities are classified as current when they are expected to be realized or settled within twelve months of the balance sheet date, and are otherwise classified as non-current.

Assets and liabilities are not netted unless there are specific requirements to the contrary or a standard or interpretation so permits.

## **t) Treasury shares**

Treasury shares acquired by the Group have been presented separately at cost as a reduction in equity in the consolidated balance sheet, and no gains or losses have been recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction in equity, after consideration of any tax effect.

### **33) Environment**

Costs incurred in environmental activities are recognized under other operating expenses in the year in which they are incurred.

## Appendix I - Structure of the Inditex Group

Company	Effective % ownership	Location	Consolidation method	Year end	Concept	Activity
<b>Subsidiaries:</b>						
Industria de Diseño Textil, S.A.	Parent Company	La Coruña - Spain	Full Cons.	31/01/2009	-	Parent Company
Comditel, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Zara	Centralized textile purchasing
Inditex Asia, Ltd.	100,00%	Hong Kong - China	Full Cons.	31/01/2009	Zara	Centralized textile purchasing
Zara Asia, Ltd.	100,00%	Hong Kong - China	Full Cons.	31/01/2009	Zara	Centralized textile purchasing
Choolet, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Confecciones Fios, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Confecciones Goa, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Denllo, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Hampton, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Jema Creaciones Infantiles, S.L.	51,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Nikole, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Samlor, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Stear, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Trisko, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Zintura, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Glencare, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
Indipunt, S.L.	51,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Textile manufacturing
UAB Rofestas	100,00%	Vilnius - Lithuania	Full Cons.	31/01/2009	Zara	Textile manufacturing
Zara España, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Retailing
Zara Argentina, S.A.	100,00%	Buenos Aires - Argentina	Full Cons.	31/01/2009	Zara	Retailing
Zara Belgique, S.A.	100,00%	Brussels - Belgium	Full Cons.	31/01/2009	Zara	Retailing
Zara Chile, S.A.	100,00%	Santiago - Chile	Full Cons.	31/01/2009	Zara	Retailing
Zara USA, Inc.	100,00%	New York - USA	Full Cons.	31/01/2009	Zara	Retailing
Zara France, S.A.R.L.	100,00%	Paris - France	Full Cons.	31/01/2009	Zara	Retailing
Zara UK, Ltd.	100,00%	London - UK	Full Cons.	31/01/2009	Zara	Retailing
Zara Hellas, S.A.	100,00%	Athens - Greece	Full Cons.	31/01/2009	Zara	Retailing
Zara México, S.A. de C.V.	95,00%	Mexico DF - Mexico	Full Cons.	31/01/2009	Zara	Retailing
Zara Portugal Confecções Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Zara	Retailing
G.Zara Uruguay, S.A.	100,00%	Montevideo - Uruguay	Full Cons.	31/01/2009	Zara	Retailing
Zara Brasil, Lda.	100,00%	Sao Paulo - Brazil	Full Cons.	31/01/2009	Zara	Retailing
Zara Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Cons.	31/01/2009	Zara	Retailing
Zara Österreich Clothing, GmbH	100,00%	Vienna - Austria	Full Cons.	31/01/2009	Zara	Retailing
Zara Denmark A/S	100,00%	Copenhagen - Denmark	Full Cons.	31/01/2009	Zara	Retailing
Zara Sverige, AB	100,00%	Stockholm - Sweden	Full Cons.	31/01/2009	Zara	Retailing
Zara Norge, AS	100,00%	Oslo - Norway	Full Cons.	31/01/2009	Zara	Retailing
Zara Canada, Inc.	100,00%	Montreal - Canada	Full Cons.	31/01/2009	Zara	Retailing
Zara Suisse S.A.R.L.	100,00%	Friburg - Switzerland	Full Cons.	31/01/2009	Zara	Retailing
Zara Luxembourg, S.A.	100,00%	Luxembourg - Luxembourg	Full Cons.	31/01/2009	Zara	Retailing
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Cons.	31/01/2009	Zara	Retailing
Zara Italia, S.R.L.	100,00%	Milan - Italy	Full Cons.	31/01/2009	Zara	Retailing
Zara Japan Corp.	100,00%	Tokyo - Japan	Full Cons.	31/01/2009	Zara	Retailing
Zara Česká Republika, S.R.O.	100,00%	Prague - Czech Rep.	Full Cons.	31/01/2009	Zara	Retailing
Zara Puerto Rico, Inc.	100,00%	San Juan - Puerto Rico	Full Cons.	31/01/2009	Zara	Retailing
Za Clothing Ireland, Ltd.	100,00%	Dublin - Ireland	Full Cons.	31/01/2009	Zara	Retailing
Zara Magyarország, KFT.	100,00%	Budapest - Hungary	Full Cons.	31/01/2009	Zara	Retailing
Zara Monaco, SAM	100,00%	Montecarlo - Monaco	Full Cons.	31/01/2009	Zara	Retailing
Zara Commercial (Shanghai), Co Ltd.	100,00%	Shanghai - China	Full Cons.	31/01/2009	Zara	Retailing
Zara Commercial (Beijing), Co Ltd.	100,00%	Beijing - China	Full Cons.	31/01/2009	Zara	Retailing
Zara Macau, Ltd.	100,00%	Macao - China	Full Cons.	31/01/2009	Zara	Retailing
Zara Polska, Sp. Zo.o.	100,00%	Warsaw - Poland	Full Cons.	31/01/2009	Zara	Retailing
ZAO Zara CIS, Ltd.	100,00%	Moscow - Russia	Full Cons.	31/01/2009	Zara	Retailing
Zara Deutschland, GmbH	78,00%	Hamburg - Germany	Full Cons.	31/01/2009	Zara	Retailing
Zara Bucuresti, Srl	100,00%	Bucharest - Romania	Full Cons.	31/01/2009	Zara	Retailing
Zara Ukraine LLC	100,00%	Kiev - Ukraine	Full Cons.	31/01/2009	Zara	Retailing
Zara Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	Full Cons.	31/01/2009	Zara	Retailing
Zara Croatia, Ltd.	100,00%	Zagreb - Croatia	Full Cons.	31/01/2009	Zara	Retailing
Zara Retail Korea, Ltd.	100,00%	Korea	Full Cons.	31/01/2009	Zara	Retailing
Inditex Vastgoed Korea, Ltd.	100,00%	Korea	Full Cons.	31/01/2009	Zara	Retailing
Kiddy's Class España, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Retailing
Kiddy's Class Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Zara	Retailing
Skhuaban, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Retailing
Fibracolor Decoración, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Zara	Decoration
Fibracolor, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Zara	Textile purchasing and treatment
Oysho España, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Venezuela, S.A.	100,00%	Caracas - Venezuela	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Portugal, Conf. Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Italia, S.R.L.	100,00%	Milan - Italy	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Hellas, S.A.	100,00%	Athens - Greece	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Österreich, GmbH	100,00%	Vienna - Austria	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Polska, Sp zo.o	100,00%	Warsaw - Poland	Full Cons.	31/01/2009	Oysho	Retailing
Oysho CIS, Ltd.	100,00%	Moscow - Russia	Full Cons.	31/01/2009	Oysho	Retailing
Oysho France, S.A.R.L.	100,00%	Paris - France	Full Cons.	31/01/2009	Oysho	Retailing
Oysho MAGYARORSZAG, KFT	100,00%	Budapest - Hungary	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Ro, Srl	100,00%	Bucharest - Romania	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Ukraine, Llc	100,00%	Kiev - Ukraine	Full Cons.	31/01/2009	Oysho	Retailing
Oysho Deutschland, GmbH	100,00%	Hamburg - Germany	Full Cons.	31/01/2009	Oysho	Retailing

# INDITEX

Company	Effective % ownership	Location	Consolidation method	Year end	Concept	Activity
Grupo Massimo Dutti, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Hellas, S.A.	100,00%	Athens - Greece	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Venezuela, S.A.	100,00%	Caracas - Venezuela	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti France, S.A.R.L.	100,00%	Paris - France	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti UK, Ltd.	100,00%	London - UK	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Suisse, S.A.R.L.	100,00%	Friburg - Switzerland	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Sverige, AB	100,00%	Stockholm - Sweden	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Norge, AS.	100,00%	Oslo - Norway	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Italia, S.R.L.	100,00%	Milan - Italy	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Ireland., Ltd.	100,00%	Dublin - Ireland	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti USA, Ltd.	100,00%	New York - USA	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Danmark A/S	100,00%	Copenhagen - Denmark	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti CIS, Ltd.	100,00%	Moscow - Russia	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Deutschland, GmbH	100,00%	Hamburg - Germany	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Mexico, S.A. de C.V.	98,00%	Mexico DF - Mexico	Full Cons.	31/01/2009	Massimo Dutti	Retailing
BCN Diseños, S.A. de C.V.	98,00%	Mexico DF - Mexico	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Zara Home Belgique, S.A.	100,00%	Brussels - Belgium	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100,00%	Hong Kong - China	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Polska, Sp z.o.o.	100,00%	Warsaw - Poland	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Ro, Srl	100,00%	Bucharest - Romania	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Macau Ltd.	100,00%	Macao - China	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Ukraine, Llc	100,00%	Kiev - Ukraine	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Česká Republika, s.r.o	100,00%	Prague - Czech Rep.	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Massimo Dutti Commercial Beijing Co, Ltd.	100,00%	Beijing - China	Full Cons.	31/01/2009	Massimo Dutti	Retailing
Pull & Bear España, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Hellas, S.A.	100,00%	Athens - Greece	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Giyim Ith. Ithrac. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Belgique, S.A.	100,00%	Brussels - Belgium	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear France, S.A.R.L.	100,00%	Paris - France	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Italia, S.R.L.	100,00%	Milan - Italy	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull&Bear Ceska Republika, S.R.O.	100,00%	Prague - Czech Rep.	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull&Bear Ireland, Ltd.	100,00%	Dublin - Ireland	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Magyarország Kft.	100,00%	Budapest - Hungary	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Polska, Sp zo.o	100,00%	Warsaw - Poland	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear CIS, Ltd.	100,00%	Moscow - Russia	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Uk Limited	100,00%	London - UK	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Ro, Srl	100,00%	Bucharest - Romania	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull and Bear Ukraine, Llc	100,00%	Kiev - Ukraine	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Croatia, LTD	100,00%	Zagreb - Croatia	Full Cons.	31/01/2009	Pull & Bear	Retailing
Pull & Bear Commercial Beijing Co, Ltd.	100,00%	Beijing - China	Full Cons.	31/01/2009	Pull & Bear	Retailing
Uterqüe, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Uterqüe	Centralized purchasing
Uterqüe España, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Uterqüe	Retailing
Uterqüe Hellas	100,00%	Athens - Greece	Full Cons.	31/01/2009	Uterqüe	Retailing
Gruputerqüe Portugal Conf. Lda	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Uterqüe	Retailing
Bershka BSK España, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Portugal Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Hellas, S.A.	100,00%	Athens - Greece	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Mexico, S.A. de CV	97,00%	Mexico DF - Mexico	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Giyim Ithalat Ithracat Ve Tic.Ltd.	100,00%	Istanbul - Turkey	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Belgique, S.A.	100,00%	Brussels - Belgium	Full Cons.	31/01/2009	Bershka	Retailing
Bershka France, S.A.R.L.	100,00%	Paris - France	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Suisse, S.A.R.L.	100,00%	Friburg - Switzerland	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Italia, S.R.L.	100,00%	Milan - Italy	Full Cons.	31/01/2009	Bershka	Retailing
Bershka U.K., Ltd.	100,00%	London - UK	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Ireland., Ltd.	100,00%	Dublin - Ireland	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Ceska Republica, S.R.O.	100,00%	Prague - Czech Rep.	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Croatia, Ltd.	100,00%	Zagreb - Croatia	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Polska Sp Z O.O.	100,00%	Warsaw - Poland	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Carpati, Srl	100,00%	Bucharest - Romania	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Ukraine, Llc	100,00%	Kiev - Ukraine	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Magyarország Kft.	100,00%	Budapest - Hungary	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Cis, Ltd	100,00%	Moscow - Russia	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Osterreich Clothing GmbH	100,00%	Vienna - Austria	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Hong Kong Limited	100,00%	Hong Kong - China	Full Cons.	31/01/2009	Bershka	Retailing
Bershka Commercial Beijing Co, Ltd	100,00%	Beijing - China	Full Cons.	31/01/2009	Bershka	Retailing
Stradivarius España, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Hellas, S.A.	100,00%	Athens - Greece	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Portugal, Conf. Unip. Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Polska, Sp zo.o	100,00%	Warsaw - Poland	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Ireland Limited	100,00%	Dublin - Ireland	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Italia SRL	100,00%	Milan - Italy	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius CIS, Ltd.	100,00%	Moscow - Russia	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius France, S.A.R.L.	100,00%	Paris - France	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Magyarország Kft.	100,00%	Budapest - Hungary	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Croatia, LTD	100,00%	Zagreb - Croatia	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Slovakia, S.R.O.	100,00%	Bratislava - Slovakia	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Ro, Srl	100,00%	Bucharest - Romania	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Ukraine, Llc	100,00%	Kiev - Ukraine	Full Cons.	31/01/2009	Stradivarius	Retailing
Stradivarius Česká Republika, s.r.o	100,00%	Prague - Czech Rep.	Full Cons.	31/01/2009	Stradivarius	Retailing
Zara Home España, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Portugal, Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home U.K., Ltd.	100,00%	London - UK	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Hellas, S.A.	100,00%	Athens - Greece	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Italia, S.R.L.	100,00%	Milan - Italy	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Giyim Ithalat Ithracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Francia, S.A.R.L.	100,00%	Paris - France	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Ro, Srl	100,00%	Bucharest - Romania	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home CIS, Ltd.	100,00%	Moscow - Russia	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Ukraine, Llc	100,00%	Kiev - Ukraine	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Česká Republika, s.r.o	100,00%	Prague - Czech Rep.	Full Cons.	31/01/2009	Zara Home	Retailing
Zara Home Polska, Sp zo.o	100,00%	Warsaw - Poland	Full Cons.	31/01/2009	Zara Home	Retailing

# INDITEX

Company	Effective % ownership	Location	Consolidation method	Year end	Concept	Activity
Zara Logística, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Logistics
Plataforma Europa, S.A.	100,00%	Zaragoza - Spain	Full Cons.	31/01/2009	Zara	Logistics
Plataforma Logística León, S.A.	100,00%	León - Spain	Full Cons.	31/01/2009	Zara	Logistics
Plataforma Logística Meco, S.A.	100,00%	Madrid - Spain	Full Cons.	31/01/2009	Zara	Logistics
Pull & Bear Logística, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Massimo Dutti	Logistics
Bershka Logística, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Bershka	Logistics
Oysho Logística, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Oysho	Logistics
Stradivarius Logística, S.A.	100,00%	Barcelona - Spain	Full Cons.	31/01/2009	Stradivarius	Logistics
Zara Home Logística, S.A.	100,00%	León - Spain	Full Cons.	31/01/2009	Zara Home	Logistics
Uterqüe Logística, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Uterqüe	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100,00%	Mexico DF - Mexico	Full Cons.	31/01/2009	Zara	Services
Zara Financiën B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Finance
Zara Mexico, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Finance
Zara Holding, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Logistics company
Zalapa, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Holding company
Massimo Dutti Holding, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Massimo Dutti	Holding company
Liprasa Cartera, S.L.	98,00%	Madrid - Spain	Full Cons.	31/01/2009	Massimo Dutti	Holding company
ITX Merken, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Trademarks
ITX RE	100,00%	Ireland	Full Cons.	31/01/2009	Zara	Insurance
ITX Trading, S.A.	100,00%	Friburg - Switzerland	Full Cons.	31/01/2009	Zara	Centralized purchasing
ITX E-commerce	100,00%	Ireland	Full Cons.	31/01/2009	Zara	E-Commerce
Goa-Invest, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Construction and real estate
Zara Vastgoed, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Real estate
Vastgoed Asia, Ltd.	100,00%	Hong Kong - China	Full Cons.	31/01/2009	Zara	Real estate
SNC Zara France Immobiliere	100,00%	Paris - France	Full Cons.	31/01/2009	Zara	Real estate
SCI Vastgoed Ferreol P03302	100,00%	Paris - France	Full Cons.	31/01/2009	Zara	Real estate
SCI Vastgoed France P03301	100,00%	Paris - France	Full Cons.	31/01/2009	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100,00%	Paris - France	Full Cons.	31/01/2009	Zara	Real estate
SCI Vastgoed Nancy P03304	100,00%	Paris - France	Full Cons.	31/01/2009	Zara	Real estate
Invercarpro, S.A.	100,00%	Madrid - Spain	Full Cons.	31/01/2009	Zara	Real estate
Robustae S.G.P.S. Unip. Lda.	100,00%	Lisbon - Portugal	Full Cons.	31/01/2009	Zara	Real estate
Lefties España, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Real estate
Inditex Cogeneración, A.I.E.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Cogeneration plant
Inditex, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Dormant as at 31/01/08
Zara Italia, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Dormant as at 31/01/08
Fruminga, B.V.	100,00%	Breda - Netherlands	Full Cons.	31/01/2009	Zara	Dormant as at 31/01/08
Zara, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Dormant as at 31/01/08
Zara, S.A.	100,00%	Buenos Aires - Argentina	Full Cons.	31/01/2009	Zara	Dormant as at 31/01/08
Fashion Logistic Forwarders, S.A.	100,00%	La Coruña - Spain	Full Cons.	31/01/2009	Zara	Logistics
<b><u>Multigroup companies:</u></b>						
Tempe, S.A.	50,00%	Alicante - Spain	Prop. Cons.	31/01/2009	Zara	Commercialization of footwear
Tempe México, S.A. de C.V.	50,00%	Mexico DF - Mexico	Prop. Cons.	31/12/2008	Zara	Commercialization of footwear
Tempe Logística, S.A.	50,00%	Alicante - Spain	Prop. Cons.	31/01/2009	Zara	Logistics
Tempe Brasil, Ltda.	50,00%	Sao Paulo - Brazil	Prop. Cons.	31/12/2008	Zara	Commercialization of footwear
Group Zara Australia Pty. Ltd.	50,00%	Sydney - Australia	Prop. Cons.	31/01/2009	Zara	Dormant as at 31/01/08
<b><u>Associated companies:</u></b>						
Naviera Elealva, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Celeste, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera del Miño, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera del Sil, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Venus, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Berlín , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Covadonga , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Gran Sol , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Guadiana , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Manchuria , A.I.E.	46,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Llera , A.I.E.	50,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Nebulosa de Omega, A.I.E.	50,00%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Cabo Vilaboia C-1658, A.I.E.	49,50%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing
Naviera Cabo Domaio C-1659, A.I.E.	49,50%	Las Palmas - Spain	Equity Acc.	31/12/2008		Asset leasing

**Appendix II - Article 127 ter of the Spanish Companies Act**

As required by Article 127 ter of the Spanish Companies Act, introduced by Law 26 of 17 July 2003, which modified Securities Market Law 24 of 28 July 1988, and the Revised Text of the Spanish Companies Act, with a view to enhancing the transparency of listed entities 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 is as follows:

<b>Board member</b>	<b>number</b>	<b>Company name</b>	<b>% ownership</b>	<b>Post</b>
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				
Mr. Pablo Isla Álvarez de Tejera				

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Board member	Company tax		% ownership	Post
	number	Company name		
Mr. Antonio Abril Abadín	A78276854	Bershka BSK España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	Bershka Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	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	A70191887	Fashion Logistics Forwarders, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15643620	Glencare, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	Goa Invest, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	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	A28601094	Inditex, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	Kiddys Class España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	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	A70086350	Massimo Dutti, 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	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	.....	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	A15355290	Plataforma Logística Meco, 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	A08478448	Skhuaban, 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	A15137318	Stradivarius Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15234065	Tempe, S.A.	0%	Vice-chairman of the board
Mr. Antonio Abril Abadín	A15058324	Trisko, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15346166	Uterqüe, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A70126164	Uterqüe España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A70126149	Uterqüe Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	Zara, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15022510	Zara España, S.A.	0%	Secretary, board member
Mr. Antonio Abril Abadín	A15710965	Zara Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	.....	Zintura, S.A.	0%	Secretary, non-board member

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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	LU16962782	Zara Luxemburgo, 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

Furthermore, and in accordance with the above-mentioned law, there is no record of the members of the board of directors having carried out or performed any activities in 2008 in companies with a statutory activity which is identical, similar or complementary to that of Inditex.

# INDITEX

Hereby signed by all of the members of the board in La Coruña on 24 March 2009.

Mr. Amancio Ortega Gaona (signed)  
Chairman

Mr. Pablo Isla Álvarez de Tejera (signed)  
First Vice Chairman and Managing Director

Mr. Carlos Espinosa de los Monteros (signed)  
Second Vice Chairman

Gartler, S.L.  
Board member

Ms. Flora Pérez Marcote (signed)

Mr. Francisco Luzón López (signed)  
Board member

Ms. Irene Ruth Miller (signed)  
Board member

Mr. Juan Manuel Urgoiti López de Ocaña (signed)  
Board member

Mr. José Luis Vázquez Mariño (signed)  
Board member

Mr. Antonio Abril Abadín (signed)  
Secretary

## Consolidated director's report

31 January 2009

### Performance in FY2008

The results for FY2008 reflect a year of strong expansion and satisfactory sales growth in a challenging environment for the sector due to the slowdown in economic growth in most markets.

In this context, **Net sales** reached 10,407 million, with sales growth in local currencies and constant perimeter of 12%.

In FY2008 INDITEX **retail space** weighted by the calendar of openings increased by 15%. Total selling area at FYE reached 2,180,889 square meters:

	31 Jan 2009	31 Jan 2008	Var % 08/07
Zara	1,447,313	1,290,035	12%
Pull & Bear	158,927	133,752	19%
Massimo Dutti	130,618	121,176	8%
Bershka	211,436	180,852	17%
Stradivarius	116,835	98,351	19%
Oysho	51,925	39,717	31%
Zara Home	59,655	50,611	18%
Uterqüe	4,180	-	-
<b>Total</b>	<b>2,180,889</b>	<b>1,914,493</b>	<b>14%</b>

At FYE INDITEX operated 4,264 stores in 73 countries:

Concept	Net openings		Total stores	
	FY2008	FY2007	31 Jan 2009	31 Jan 2008
Zara (*)	159	186	1,520	1,361
Pull and Bear	64	52	583	519
Massimo Dutti	44	27	470	426
Bershka	81	77	591	510
Stradivarius	75	77	456	381
Oysho	84	89	374	290
Zara Home	35	52	239	204
Uterqüe	31	-	31	-
<b>Total</b>	<b>573</b>	<b>560</b>	<b>4,264</b>	<b>3,691</b>

(\*) Zara number of stores at FYE includes 228 Zara Kids stores

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

**Like-for-like sales** were maintained in FY2008 (1% in H1 and -0.7% in H2) demonstrating the resilience of the business model. The like-for-like calculation includes 74% of FY2008 store sales (i.e. sales in stores opened for the whole of fiscal years 2008 and 2007).

**Net sales by concept** in FY2008 and FY2007 are shown in the table below:

Concept	FY2008 Million €	FY2007 Million €	Var. 08/07 %	In local currencies and constant perimeter
Zara	6,824	6,264	9%	11%
Non-Zara	3,583	3,171	13%	14%
Pull & Bear	720	614	17%	20%
Massimo Dutti	722	696	4%	4%
Bershka	1,026	925	11%	12%
Stradivarius	633	521	22%	22%
Oysho	242	213	14%	14%
Zara Home	222	201	10%	12%
Uterqüe	17	n.a.	n.a.	n.a.
<b>Total sales</b>	<b>10,407</b>	<b>9,435</b>	<b>10%</b>	<b>12%</b>

In FY2008 sales growth was positive in all geographical areas. The ongoing International expansion has led to a widely diversified sales platform, with International store sales reaching 66% of the total. The area with the highest proportion of total store sales was Europe ex-Spain, 45% of the total. Asia also increased its proportion of total store sales due to INDITEX successful expansion and strong reception in the area.

	FY2008	FY2007
Europe ex-Spain	44.8%	42.4%
Spain	33.9%	37.5%
Asia	10.5%	9.4%
Americas	10.7%	10.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

All the concepts have increased the percentage of international store sales:

Concept	FY2008	FY2007
Zara	75%	72%
Non-Zara	49%	44%
Pull & Bear	50%	45%
Massimo Dutti	53%	51%
Bershka	55%	50%
Stradivarius	33%	25%
Oysho	48%	40%
Zara Home	54%	45%
Uterqüe	10%	-
<b>Total sales</b>	<b>66%</b>	<b>63%</b>

The **Gross profit** rose to €5,914 million, 11% higher than the previous year. The Gross margin has reached 56.8% of sales (56.7% in FY2007).

**Operating expenses** have been tightly managed over the year growing by 15%, mainly as a result of the new retail space added in FY2008.

Million euros	FY2008	FY2007	% Var. 08/07
Personnel expenses	1,703	1,473	16%
Rental expenses	1,028	855	20%
Other operating expenses	976	898	9%
<b>Total operating expenses</b>	<b>3,708</b>	<b>3,226</b>	<b>15%</b>

At FYE 2008 the number of employees reached 89,112 (79,517 at FYE2007).

Regarding rental expenses, the future lease commitments as a result of the minimum non cancellable lease payments amounted to 2,252 million at FYE2008.

**Other net income operating (losses)** includes in FY2008 the costs involved in the launch of Uterqüe. This compares to the income registered in FY2007 related to the franchise operations in Venezuela. FY2008 **EBITDA** came to 2,187 million and **EBIT** to 1,609 million. Excluding non-recurrent items, FY2008 **EBITDA** came to 2,206 million and **EBIT** to 1,628 million.

The breakdown by concept of EBIT excluding non-recurrent items is shown below:

# INDITEX

Concept	(Million €)			% EBIT on sales		% on total	
	FY2008	FY2007	% Chng. 08/07	FY2008	FY2007	FY2008	FY2007
Zara	1,067	1,091	(2%)	15.6%	17.4%	65.6%	67.1%
Non-Zara	561	534	5%	15.7%	16.9%	34.4%	32.9%
Pull & Bear	119	99	20%	16.6%	16.2%	7.3%	6.1%
Massimo Dutti	108	106	2%	14.9%	15.2%	6.6%	6.5%
Bershka	155	154	-	15.1%	16.6%	9.5%	9.5%
Stradivarius	144	119	21%	22.7%	22.9%	8.8%	7.3%
Oysho	21	40	(46%)	8.9%	18.8%	1.3%	2.5%
Zara Home	14	16	(13%)	6.3%	7.9%	0.9%	1.0%
Uterqüe	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total EBIT</b>	<b>1,628</b>	<b>1,626</b>	<b>-</b>	<b>15.6%</b>	<b>17.2%</b>	<b>100.0%</b>	<b>100.0%</b>

Financial results include the non-cash expenses as a result of the foreign exchange losses due to the conversion at closing exchange rates of accounts receivable and payable:

Million euros	FY2008	FY2007
Net financial income (losses)	17	15
Foreign exchange gains (losses)	(38)	(14)
<b>Total</b>	<b>(22)</b>	<b>1</b>

**Net income** came to 1,253 million. Excluding the non-recurrent items, FY2008 Net income increased by 3%.

INDITEX's Board of Directors will propose to the General Shareholders Meeting a **dividend** of 1.05 per share, 654 million according to current number of shares. 0.55 will be payable on 4 May 2009 as interim dividend and 0.50 would be payable on 2 November 2009 as final dividend.

INDITEX maintained its financial strength to reach a higher **net cash position** at FYE:

	31 January 2009	31 January 2008
Cash & cash equivalents	1,466	1,466
Current financial debt	(234)	(371)
Non current financial debt	(13)	(42)
<b>Net financial cash (debt)</b>	<b>1,219</b>	<b>1,052</b>

The **operating working capital** position remains negative, a consequence of the business model:

	31 January 2009	31 January 2008
Inventories	1,055	1,007
Receivables	585	464
Payables	(2,157)	(2,087)
<b>Operating working capital</b>	<b>(517)</b>	<b>(616)</b>

**Funds from operations** reached €1,850 million in FY2008, 5% higher than the previous year.

**Capital Expenditure** for the FY amounted to €937 million.

Dividends paid to shareholders increased to €662 million, 27% higher than in FY2007.

## Start of FY2009

In FY2009, another challenging year for the sector, INDITEX expects to continue outperforming the industry, while the profitable expansion of the business remains a key priority. INDITEX will capitalize on the opportunities arising from the current environment and will strengthen its focus on capital efficiency.

INDITEX expects to add approximately 230,000 square meters to its retail space in FY2009. Approximately 95% of this new space will be added in International markets.

Expected Capital Expenditure in FY2009 is approximately 600 million as a result of greater efficiency in the opening of new stores and the refurbishment of existing stores.

INDITEX will continue to flexibly manage Operating expenses in order to achieve 75 million of efficiencies in FY2009.

In FY2009, the focus will be on maximizing free cash flow while at the same time sustaining the profitable international expansion and the commitment with shareholder remuneration.

The store opening plan for FY2009 will be biased to the second half (25%/75%) vs. FY2008 (43%/57%). Approximately 70% of the contracts have been signed but in some cases openings may not take place in FY2009:

Concept	Range	% International
Zara	125 - 135	98%
Pull and Bear	45 - 55	95%
Massimo Dutti	30 - 40	98%
Bershka	55 - 65	90%
Stradivarius	65 - 75	80%
Oysho	20 - 30	70%
Zara Home	15 - 25	75%
Uterqüe	15 - 25	50%
<b>Total net openings</b>	<b>370 - 450</b>	

February monthly store sales in local currencies excluding calendar effects have increased by 9%. The Spring-Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

## Consolidated financial statements

### Grupo Inditex

FY2008 profit & loss statement

Million euros

	FY2008	FY2007
Net sales	10,407	9,435
Cost of sales	(4,493)	(4,086)
<b>Gross profit</b>	<b>5,914</b>	<b>5,349</b>
<i>Gross margin</i>	<i>56.8%</i>	<i>56.7%</i>
Operating expenses	(3,708)	(3,226)
Other net operating income (losses)	(19)	27
<b>Operating cash flow (EBITDA)</b>	<b>2,187</b>	<b>2,149</b>
<i>EBITDA margin</i>	<i>21.0%</i>	<i>22.8%</i>
Amortisation and depreciation	(578)	(497)
<b>Operating income (EBIT)</b>	<b>1,609</b>	<b>1,652</b>
<i>EBIT margin</i>	<i>15.5%</i>	<i>17.5%</i>
Financial results	(22)	1
Results from companies consolidated by equity method	0	(8)
<b>Income before taxes</b>	<b>1,587</b>	<b>1,646</b>
<i>EBT margin</i>	<i>15.2%</i>	<i>17.4%</i>
Taxes	(325)	(388)
<b>Net income</b>	<b>1,262</b>	<b>1,258</b>
	<i>12.1%</i>	<i>13.3%</i>
Minorities	8	7
<b>Net income attributable to the controlling company</b>	<b>1,253</b>	<b>1,250</b>
<i>Net income margin</i>	<i>12.0%</i>	<i>13.3%</i>
<b>Earnings per share, cents of euro (*)</b>	<b>202</b>	<b>201</b>

(\*) Shares for EPS calculation 621.7 and 620.9 million for 2008 and 2007

## Grupo Inditex

Consolidated Balance Sheet as of 31 January 2009  
*Million euros*

	31 January 2009	31 January 2008
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>	<b>3,264</b>	<b>2,982</b>
Cash & cash equivalents	1,466	1,466
Receivables	585	464
Inventories	1,055	1,007
Other	158	45
<b>NON CURRENT ASSETS</b>	<b>4,513</b>	<b>4,124</b>
Tangible assets	3,451	3,192
Intangible assets	680	644
Financial investments	14	36
Other	368	253
<b>TOTAL ASSETS</b>	<b>7,777</b>	<b>7,106</b>
<b><u>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>	<b>2,391</b>	<b>2,458</b>
Payables	2,157	2,087
Financial debt	234	371
<b>NON CURRENT LIABILITIES</b>	<b>637</b>	<b>430</b>
Financial debt	13	42
Deferred taxes	214	111
Other	410	277
<b>SHAREHOLDERS' EQUITY</b>	<b>4,749</b>	<b>4,217</b>
Equity attributable to the Group	4,722	4,193
Minority interests	27	24
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>7,777</b>	<b>7,106</b>

**Inditex Group**  
**Consolidated Statement of Cash Flows**  
*Millions of euros*

	FY 2008	FY 2007
<b>Income before taxes</b>	<b>1.587</b>	<b>1.646</b>
<b>Adjustments to income</b>		
Depreciation and amortization	578	497
Corporate income tax	(325)	(388)
Deferred and prepaid tax	35	(33)
Foreign exchange impact	(11)	2
Other	(14)	34
<b>Funds from operations</b>	<b>1.850</b>	<b>1.757</b>
<b>Changes in assets and liabilities</b>		
Increase in inventories	(61)	(197)
Increase in accounts receivable	(157)	(83)
Decrease in current liabilities	143	341
<b>Changes in working capital</b>	<b>(75)</b>	<b>60</b>
<b>Cash from operations</b>	<b>1.775</b>	<b>1.817</b>
Intangible assets investments	(78)	(88)
Tangible assets investments	(852)	(850)
Acquisitions of businesses	(6)	(7)
Addition to other long-term financial investments	22	(10)
Other assets investments	(24)	(27)
Fixed assets sales and retirements	1	10
Sale of long-term financial investments	0	31
<b>Capital expenditure</b>	<b>(937)</b>	<b>(942)</b>
Net decrease in long-term financial debt	(29)	(17)
Net decrease in other long-term debt	11	16
Net increase in current debt	(137)	215
Dividends	(662)	(522)
Other financing activities	(2)	1
<b>Cash used in financing activities</b>	<b>(818)</b>	<b>(307)</b>
Net increase in cash and cash equivalents	20	568
Foreign exchange impact on cash & cash equivalents	(19)	(9)
Cash and cash equivalents at beginning of the year	1.466	906
<b>Cash and cash equivalents at end of the year</b>	<b>1.466</b>	<b>1.466</b>

## Annex I

Income statement: FY2008 quarterly results

	Q1	Q2	Q3	Q4
Net sales	2,218	2,343	2,792	3,054
Cost of sales	(936)	(1,051)	(1,131)	(1,375)
<b>Gross profit</b>	<b>1,282</b>	<b>1,292</b>	<b>1,661</b>	<b>1,680</b>
	57.8%	55.1%	59.5%	55.0%
Operating expenses	(858)	(894)	(929)	(1,028)
Other net operating income (losses)	(0)	0	(9)	(10)
<b>Operating cash flow (EBITDA)</b>	<b>424</b>	<b>398</b>	<b>723</b>	<b>642</b>
	19.1%	17.0%	25.9%	21.0%
Amortisation and depreciation	(130)	(145)	(139)	(165)
<b>Operating income (EBIT)</b>	<b>294</b>	<b>253</b>	<b>585</b>	<b>477</b>
	13.2%	10.8%	20.9%	15.6%
Financial results	(1)	(6)	(9)	(6)
<b>Income before taxes</b>	<b>293</b>	<b>247</b>	<b>576</b>	<b>471</b>
Taxes	(74)	(55)	(135)	(61)
<b>Net income</b>	<b>218</b>	<b>192</b>	<b>441</b>	<b>410</b>
Minorities	(0)	5	4	0
<b>Net income attributable to the controlling company</b>	<b>219</b>	<b>188</b>	<b>437</b>	<b>410</b>
	9.9%	8.0%	15.7%	13.4%

## Annex II

**Return on Equity**, defined as net income on average Shareholder's equity:

	2008
Net income	1,253
Shareholders equity - previous year	4,193
Shareholders equity - current year	4,722
Average equity	4,457
<b>Return on Equity</b>	<b>28%</b>

**Return on Capital Employed**, defined as EBIT on average capital employed (Shareholder's equity plus net financial debt):

	2008
<b>EBIT</b>	<b>1,609</b>
<b>Average capital employed</b>	
Average shareholders' equity	4,457
Average net financial debt (*)	0
<b>Total average capital employed</b>	<b>4,457</b>
<b>Return on Capital employed</b>	<b>36%</b>

(\*) Zero when net cash

**Return on Capital Employed by concept:**

Concept	FY2008
Zara	32%
Non Zara	47%
Pull & Bear	51%
Massimo Dutti	47%
Bershka	56%
Stradivarius	75%
Oysho	16%
Zara Home	13%
Uterqüe	-
<b>Total</b>	<b>36%</b>

## Annex III

### Company-managed stores and franchised stores at FYE:

Concept	Co. Mag.	Fran-chises	Total
Zara	1,372	148	<b>1,520</b>
Pull and Bear	506	77	<b>583</b>
Massimo Dutti	357	113	<b>470</b>
Bershka	525	66	<b>591</b>
Stradivarius	368	88	<b>456</b>
Oysho	346	28	<b>374</b>
Zara Home	216	23	<b>239</b>
Uterqüe	31	-	<b>31</b>
<b>Total</b>	<b>3,721</b>	<b>543</b>	<b>4,264</b>

### Sales in company-managed and franchised stores:

Concept	2008		2007	
	Company Managed	Franchised	Company Managed	Franchised
Zara	88%	12%	88%	12%
Non-Zara	85%	15%	85%	15%
Kiddy's Class	88%	12%	88%	12%
Pull & Bear	72%	28%	72%	28%
Massimo Dutti	89%	11%	90%	10%
Bershka	84%	16%	84%	16%
Stradivarius	92%	8%	94%	6%
Oysho	89%	11%	92%	8%
Zara Home	100%	0%	n.a.	n.a.
<b>Total</b>	<b>87%</b>	<b>13%</b>	<b>87%</b>	<b>13%</b>

## Annex IV

Summary of net openings by quarter:

Concept	1Q 2008	2Q 2008	3Q 2008	4Q 2008	total 2008
Zara	51	21	60	27	<b>159</b>
Pull and Bear	16	16	14	18	<b>64</b>
Massimo Dutti	11	7	15	11	<b>44</b>
Bershka	17	20	23	21	<b>81</b>
Stradivarius	13	14	33	15	<b>75</b>
Oysho	26	15	28	15	<b>84</b>
Zara Home	11	5	16	3	<b>35</b>
Uterqüe	0	6	18	7	<b>31</b>
<b>Total stores</b>	<b>145</b>	<b>104</b>	<b>207</b>	<b>117</b>	<b>573</b>

Total stores by quarter:

Concept	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Zara	1,412	1,433	1,493	1,520
Pull and Bear	535	551	565	583
Massimo Dutti	437	444	459	470
Bershka	527	547	570	591
Stradivarius	394	408	441	456
Oysho	316	331	359	374
Zara Home	215	220	236	239
Uterqüe	0	6	24	31
<b>Total stores</b>	<b>3,836</b>	<b>3,940</b>	<b>4,147</b>	<b>4,264</b>

## Annex V

Stores by concept and country as at 31 January 2009

COUNTRY	Zara	Zara Kids	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ANDORRA	1		1	1		1	1	1		6
ARGENTINA	7									7
AUSTRIA	11				1					12
BAHREIN	2		2	2	1	1	2	1		11
BELGIUM	25		2	20	7			5		59
BRAZIL	25									25
CANADA	15									15
CHILE	6									6
CHINA	23			4						27
COLOMBIA	7				2	3				12
COSTA RICA	2									2
CROATIA	2				1					3
CYPRUS	4		4	2	5	5	1	2		23
CZECH REPUBLIC	6		3	1	4	1				15
DENMARK	3									3
DOMINICAN REPUBLIC	1									1
EGYPT			1		1					2
EL SALVADOR	2		1		1					4
ESLOVENIA	4		2	1	2	3			2	12
ESTONIA	2				1					3
FINLAND	4									4
FRANCE	113	2	14	17	41	17	10	17		231
GERMANY	65			6						71
GREECE	44	6	18	11	23	6	13	7	2	130
GUATEMALA	2		2	1	2	1				8
HONDURAS	1									1
HUNGARY	5		3		4	3	1			16
ICELAND	2									2
INDONESIA	8		2	3						13
IRELAND	9		5	1	5	2				22
ISRAEL	17		19	1						37
ITALY	75	12	34	8	36	23	54	22		264
JAPAN	40									40
JORDAN	2		2	2	1	2	1	1		11
KUWAIT	5		4	2	2	3	3	2		21
LATVIA	3		2		2					7
LEBANON	2		3	3	2	2	3	2		17
LITHUANIA	4		3		5	4				16
LUXEMBOURG	2			1						3
MALAYSIA	5		2	4						11
MALTA	1		5		1	1		1		9
MEXICO	48		30	26	41		28	13		186
MONACO	1									1
MONTENEGRO	1		1		1	1	1			5
MOROCCO	4			1		3		1		9
NETHERLANDS	15				6			1		22
NORWAY	4			2						6
OMAN	1					1	1	1		4
PANAMA	2									2
PHILIPPINES	6									6
POLAND	20		11	1	13	11	8			64
PORTUGAL	55	24	59	40	42	35	30	18	2	305
PUERTO RICO	1									1
QATAR	2		2	2	1	1	1	2		11
ROMANIA	5		5	1	4	4	4	1		24
RUSSIA	30		18	6	16	15	11	2		98
S. KOREA	5									5
SAUDI ARABIA	22		8	10	19	21	9	3		92
SERBIA	3		1	1	1	1	1			8
SINGAPORE	5		2	3						10
SLOVAKIA	2		1		1	1				5
SPAIN	330	184	287	250	262	265	176	115	27	1,896
SWEDEN	10			3						13
SWITZERLAND	10			5	1					16
THAILAND	4			2						6
TUNISIA	1									1
TURKEY	25		13	10	13	13	11	8		93
UAE	5		5	6	4	6	4	6		36
UKRAINE	1									1
UNITED KINGDOM	63		3	10	5			7		88
URUGUAY	2									2
USA	41									41
VENEZUELA	11		3		11					25
<b>INDITEX</b>	<b>1,292</b>	<b>228</b>	<b>583</b>	<b>470</b>	<b>591</b>	<b>456</b>	<b>374</b>	<b>239</b>	<b>31</b>	<b>4,264</b>

## Other information

### Related party transactions

Related party transactions are described in note 30 to the consolidated annual accounts. No related party transactions occurred in the first six months of the year that substantially affected the financial situation or results of the Company during the year.

### Risks and uncertainties

Risks and uncertainties facing the Group are described in note 26 to the consolidated annual accounts. There are no significant risks or uncertainties at FYE2008.

### Research and development expenditure

The Inditex Group has not performed or outsourced to third parties any research and development projects, which are considered as projects to which amounts are allocated over several years to develop products that are expected to generate profits over a number of years.

Nonetheless, since its incorporation, management of the Company has been underpinned by available technology in all areas of its activity to improve the manufacturing and distribution processes, and by developing, using its own resources or with the support of third parties, instruments that facilitate business management. Examples of this technology include point-of-sale terminals, inventory management and administration systems, delivery systems in the distribution centers, in-store communication systems, and in-store clothing and footwear labeling systems.

### Treasury shares

Inditex holds 221,264 treasury shares of fifteen eurocents par value each. Group companies do not hold any shares in the parent company.

### Capital structure

The share capital of Inditex amounts to Euros 93,499,560, divided into 623,330,400 shares of fifteen eurocents (Euros 0.15) par value each, all of the same class and series, which are subscribed and fully paid up.

Shares confer the holder the condition of partner and the rights established in the Spanish Companies Act, other applicable legislation, and the Company's legal organization documents. Each share confers the right to one vote, while a minimum number of shares does not have to be held to be able to attend general meetings.

### Restrictions on the transferability of shares

There are no statutory restrictions on the transfer of shares and no shareholder agreements restricting or defining the conditions for the free transfer of shares.

## Significant share capital holdings

According to the information provided on the website of the Spanish National Securities Market Commission and information provided to Inditex by the shareholder Rosp Corunna Participaciones Empresariales, S.L., the holders of the most significant share capital holdings in the Company at 31 January 2009, excluding board members, were as follows:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Voting rights as percentage of total
Mr. Amancio Ortega Gaona (1)	0	369,600,063	59.294%
Ms. Rosalía Mera Goyenechea (2)	0	36,550,000	5.864%
CAPITAL RESEARCH AND MANAGEMENT COMPANY (3)	0	40,066,696	6.428%

(\*) Through:

Name or company name of direct shareholder	Number of direct voting rights	Voting rights as percentage of total
(1) GARTLER, S.L.	311,727,598	50.010%
(1) PARTLER 2006, S.L.	57,872,465	9.284%
(2) ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	36,550,000	5.864%
(3) INSTITUCIONES DE INVERSIÓN COLECTIVA GESTIONADAS	40,066,696	6.428%

## Restrictions on voting rights

No legal or statutory restrictions on exercising voting rights exist, except for the restriction established in Article 44 of the Spanish Companies Act, which stipulates that any shareholders that default on payment of unpaid shareholder contributions cannot exercise their voting rights.

## Associative agreements

The Company is not aware of the existence of any associative agreements.

## Regulations applicable to the appointment and replacement of members of the Board of Directors and modifications to the Company's articles of association

Appointment and replacement of members of the Board of Directors

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The system for selecting, appointing and re-electing members of Inditex's Board of Directors consists of a formal and transparent procedure, expressly regulated by the Company's articles of association and the Board of Directors Regulations.

Board members will be appointed by the shareholders in a general meeting and will perform their duties during the period established in the articles of association, which is currently five years.

In general meetings, shareholders can re-elect board members an indefinite number of times for equal terms. Shareholders can also agree to the dismissal of board members at any time.

The Board of Directors can temporarily appoint replacements for vacant positions on the board by selecting individuals from among the shareholders until the next general meeting is held.

Any proposals to appoint board members presented by the Board of Directors for consideration by the shareholders in general meetings and any appointment decisions made by the shareholders via the co-option powers with which they have been legally vested must be preceded by the corresponding report from the Appointments and Remunerations Committee and, in the case of independent board members, by the relevant proposal from this Committee.

When the Board of Directors does not follow the recommendations of the Appointments and Remunerations Committee, it must present reasons for its action, which must be documented in minutes.

The Board of Directors and the Appointments and Remunerations Committee will, within the scope of their powers, endeavor to ensure that the potential candidates have recognized solvency, ability and experience, and will exercise due rigor when assessing candidates for the position of independent board member.

The Board of Directors may not propose or appoint any candidate for the position of independent board member who simultaneously holds positions as director in more than four listed companies in addition to the Company. Individuals cannot be proposed or appointed for the position of independent board member unless they fulfill the independence criteria established in Section 1.(c) of Article 7 of the Board of Directors Regulations.

Any proposals to re-appoint board members which the Board of Directors decides to present to the shareholders in a general meeting must be formally prepared and must include a report issued by the Appointments and Remunerations Committee evaluating the quality of work and dedication to the post of the board members proposed during the preceding mandate and, in the case of independent board members, the corresponding proposal from the Committee to re-appoint them.

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Furthermore, the Board of Directors must provide a description of the character of each board member to the shareholders in general meetings, and the shareholders must perform or ratify the appointment, which must be confirmed, or where applicable, modified in the Annual Corporate Governance Report subsequent to being verified by the Appointments and Remunerations Committee.

Regarding the replacement of board members, board members must resign from their posts when the term of their appointment expires and when the shareholders so decide in accordance with the legal or statutory powers vested.

Board members must offer their resignation to the Board of Directors and formalize, where necessary, their resignation in the following circumstances:

- a) When they reach 68 years of age. Nonetheless, the board members occupying the position of Managing Director or General Manager must offer their resignation to the Board of Directors when they reach 65 years of age, being able to continue as board members until they reach the age of 68. Exceptionally, the aforementioned rules will not apply in the case of the founding Chairman of the Company, Mr. Amancio Ortega Gaona.
- b) When they resign from the executive positions with which they were associated on being appointed as board members.
- c) When they are subject to any of the circumstances of incompatibility or prohibition established by law, in the Company's articles of association, or in the Board of Directors Regulations. In particular, independent board members must offer their resignation to the Board of Directors and formalize, where necessary, their resignation when they are subject to any of the circumstances of incompatibility stipulated in Article 7.1.(c) of these Regulations or when they subsequently become directors in more than four listed companies in addition to the Company.
- d) When they receive a serious warning from the Control and Audit Committee for having breached their obligations as board members.

Board members must also inform the Board of Directors and, where necessary, offer the Board of Directors and formalize their resignation if the board considers resignation is necessary because of circumstances which could affect the credit or reputation of the Company or, by whatever means, expose the Company's interests to risk, and when the reasons for the board members being appointed no longer prevail.

Board members representing shareholders must offer their resignation when the shareholders they represent sell their entire share capital holding or reduce it to a level which requires the number of board members representing shareholders to be decreased.

Lastly, when a board member leaves the post before the end of the mandate, as a result of resignation or any other reason, an explanation for the reasons must be given in a letter to all the members of the Board of Directors, and the Company must present these reasons in the Annual Corporate Governance Report. In the case of independent board members, the Appointments and Remunerations Committee must also present a proposal for early dismissal or resignation.

## Modification to the articles of association

The procedure for modifying Inditex's articles of association is established in Article 144 of the Spanish Companies Act which requires, inter alia, that the modification agreement be accepted by the shareholders in a general meeting with the quorum required to constitute and adopt agreements stipulated in Article 103 of the aforementioned Act. Inditex's articles of association have not increased the quorum for modifying the statutory text.

## **Powers of the members of the Board of Directors**

The Board of Directors is responsible for managing, administering and representing the Company with full powers and without prejudice to the legal or statutory powers with which the shareholders have been vested.

Within the legally established limits, the chairman of the Board of Directors and the Executive Commission, Mr. Amancio Ortega Gaona and the First Vice-Chairman and Managing Director, Mr. Pablo Isla Álvarez de Tejera have been vested with all the powers listed below in order that they be exercised in the following way and under the following conditions: jointly and severally and indistinctively, except for certain powers which involve: a) the use of funds exceeding a certain amount, in which case joint or shared action will be required by the two aforementioned members of the Executive Committee or by one of these individuals and another individual who, by any legal title, has also been vested with the same power and/or b) the disposal or encumbrance of the Company's real estate assets, in which case prior approval is required from the Executive Committee or, where applicable, the Board of Directors.

The requirement to act jointly stipulated in the previous paragraph will not be applicable in the case of operations, actions or contracts, irrespective of their value, that are performed or signed by INDITEX Group companies. These companies are considered to be any Spanish or foreign companies in which INDITEX, S.A. directly or indirectly through other subsidiaries holds at least a 50% interest. In these circumstances, either of the two members of the Commission who have been vested with powers can act jointly and severally alone, on behalf of and representing the Company, irrespective of the amount involved.

Details of powers:

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1.- Appear on behalf of and represent the Company before any authorities, bodies, centers, sections or offices of the Spanish government, whether it be centrally or in outlying areas of the autonomous regional governments of the provinces and municipalities of corporate government of independent government and of European government, including public registries of any type and, in general, any public or private entity. Sign and present all types of applications, petitions, simple or sworn statements, manuscripts and documents. Define and uphold any objectives and, in general, exercise all the powers required in order to manage and defend the rights of the Company.

2.- Sign, issue, receive and collect from the post office any postal or telegram correspondence comprising ordinary or registered letters, money transfers, postal orders and telegrams. File with these offices any claims necessary and collect, where applicable, any compensation.

3.- Verify shipments of products and goods of any type by land, sea or air, and receive deliveries on behalf of the Company. Make any necessary claims to rail, maritime or transport companies in general for any damage, delay, loss or any other breach of the transport contract, collecting any compensation where applicable agreed with these companies or established by the courts. Sign agreements of any type with transport companies, travel agencies, hotels, restaurants and any other individuals or entities involved in the transport of passengers or in the hotel and catering sector.

4.- Claim for and collect any amounts owed to the Company, signing receipts and authorizing any acknowledgements of receipt. Make payments. Disclose accounts and demand disclosure of accounts, and challenge or approve accounts. Set up, cancel and withdraw guarantee deposits of all classes including those placed with/and of the General Bank for Deposits of the Spanish Treasury and its branches.

5.- Arrange all types of loan and credit agreements. Open current, credit, savings and any other type of account with public and private credit institutions and/or financial institutions, as well as any other accounts in the name of the Company. Pay in funds, withdraw funds or obtain funds by way of receipts and checks. Make or order payments by bank transfer. Endorse or permit charging of bills of exchange, bank transfers and credit notes, as well as receipts or invoices payable by the Company. Approve or contest the balances of the aforementioned accounts. Act as guarantor for other INDITEX Group companies and, therefore, sign on their behalf guarantees, deposits and any other similar documents, along with guarantee and counter-guarantee documents. In general, perform any activities permitted by banking legislation and best practice.

6.- Release, endorse, cede or transfer by any means other than endorsement, accept and sign, demand consent for, guarantee, require cession of provision of, collect, discount and pay bills of exchange, promissory notes, checks, money orders, and any other trade notes. Intervene in the approval or payment thereof. Contest such bills or notes or make the necessary declarations and responses in the relevant protests stating the reasons for not accepting or paying bills and notes charged to the Company. Actively or passively act in all types of legal proceedings, actions or

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negotiations, pre-court and court proceedings resulting from contesting or not paying charges, as well as any other activity established in the Exchange and Check Law or other applicable legislation.

7.- Considering the restriction described above regarding real estate assets, execute all types of deeds and contracts relating to all types of assets, rights, securities, stakes, shares and share capital holdings for and with the prices, amounts paid, amounts received, terms, periods, agreements, clauses and conditions established. In particular, acquire, cede, grant, dispose of or transfer by any means, including awarding in settlement, of all types of assets, rights, brands, other trademarks and industrial property, securities, stakes, shares, and share capital holdings. Contract all types of obligatory and voluntary insurance. Execute works, services and supplies of all types. Act as lessor or lessee in rental, finance lease or sub-let agreements. Set up, modify, recognize and cancel land and building rights, including real estate mortgages and pledges without transfer of ownership and any type of encumbrance over all types of assets and rights held by the Company. Apply for land groupings, aggregations, divisions and segregations, permits for new construction projects, and divisions of buildings under joint ownership regime establishing the statutes governing such activities. Conduct and collaborate with measurement, demarcation and boundary definition work, approving such work and signing any deeds that are drawn up. Intervene using full powers to execute and fulfill such deeds and contracts demanding, where applicable, fulfillment of any requirements therein, and modifying, renewing, canceling or withdrawing these deeds and contracts.

8.- Execute all types of deeds and contracts relating to information technology, management, security and telecommunications products, equipment and systems, as well as any assets relating to copyrights deriving from or related with these assets and, in general, any rights relating to all types of buildings. Contract work, services and supplies of all types for or with the prices, amounts paid, amounts received, terms, periods, agreements, clauses and conditions established. In particular, acquire, cede, grant, encumber, dispose of or transfer any ownership, including awarding in settlement, over the aforementioned assets. Obtain or offer such assets as lessor or lessee through rental, finance lease or sub-let agreements. Set up, modify, recognize and cancel land and building rights and pledges over real estate assets held by the Company. Intervene using full powers to execute and fulfill such deeds and contracts, demanding, where applicable, fulfillment of any requirements therein, and modifying, renewing, canceling or withdrawing these deeds and contracts.

9.- Execute any type of collaborative agreement such as franchise agreements, joint ventures, cashpooling, distribution agreements, trade agreements, concessions, agency agreements, and, in general, any agreements that could be intrinsic to the national and international expansion of the Company.

10.- Appear in deeds on the incorporation, modification, merger or winding-up of all types of entities and companies, and attend on behalf of the Company assemblies, meetings, or ordinary and extraordinary meetings. Intervene in such meetings, cast votes in the appropriate manner, whatever the issues in

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question, and accept agreements. Accept positions and appointments and, in general, exercise on behalf of the Company any rights it is granted.

11.- Attend on behalf of and in representation of the Company residents' association and joint-owner meetings. Intervene in such meetings, cast votes in the appropriate manner, whatever the issues in question, and accept agreements. Accept positions and appointments and, in general, exercise on behalf of the Company any rights it is granted in jointly-owned buildings. Attend and intervene in any meetings held in accordance with the prevailing Law on Buildings under Joint Ownership and other applicable legislation.

12.- Attend on behalf of the Company all types of auctions and tenders organized by the State, autonomous regional governments, provinces, municipalities, and public and private individuals and entities and, to this end, present specifications, declarations, projects and budgets prepare bids and set up guarantee deposits, making definitive and unlimited use of the powers required to obtain and accept, provisionally or definitively, based on the conditions considered appropriate, the tender in question. Exercise the rights and fulfill the obligations related with these tenders.

13.- Set up the offices, centers and branches of the Company and organize the services therein. Hire personnel. Establish the conditions for selecting and appointing personnel. Freely appoint and separate them, including directors and qualified personnel. Establish their rights, obligations, powers and functions, salaries, bonuses and compensation. Agree promotions and transfers. Exercise the powers to sanction and discipline. Act on behalf of the Company in relations with workers' committees and represent the Company when negotiating agreements in any area or of any type.

14.- Represent the Company before any government authorities or bodies responsible for labor and Social Security issues prepare reports and claims demand the suspension of or accept contested assessments appear and intervene on behalf of the Company in proceedings in progress in which the Company has a direct or indirect interest by presenting and defending all types of evidence, requesting and obtaining documents, copies, certificates and notifications and presenting, preparing and defending all types of declarations, requests and statements. In general, intervene in any proceedings required during the life of the Company such as registering the Company with the labor and Social Security authorities conducting the procedures required to contract all types of workers, including requesting and collecting grants and bonuses, registering workers, etc. conducting the procedures required to modify or cancel employment contracts, train staff, present and pay Social Security contributions, and request Social Security payment deferrals and rebates. Conduct the procedures required in relations between the Company and temporary employment and personnel selection agencies. In general, follow procedures for all formalities and incidents, filing appeals, where necessary, until outright rulings are issued and enforced.

15.- Represent the Company before any government authorities or bodies responsible for health and safety at work and occupational risk issues, preparing reports and claims and, in general, any

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documents the Company considers necessary in relation to any proceedings in which it has a direct or indirect interest. Perform any actions necessary to promote and guarantee worker safety in work centers by complying with legislation on occupational health and safety and other complementary legislation. Plan and execute the risk prevention policy. Act on behalf of the Company in relations with workers and their representatives regarding health and safety measures. Prepare and implement a professional risk plan. Organize the risk prevention service, allocating the human resources and assets required to operate the service. Negotiate and sign agreements with approved entities which render external risk prevention procedures. Negotiate, organize and perform risk assessments, medical examinations, and other health checks and risk prevention systems. Contract external health and safety audits and, in general, audits of any actions related with such risks. Obtain insurance to cover common and professional contingencies to which workers are exposed by signing agreements and associative agreements with Social Security management entities and occupational health and safety insurance companies affiliated with the Social Security system, or other entities that have taken over performing the functions and duties of these entities, renouncing or canceling in the past any contracts signed, and accepting appointment to and participation in the governing and advisory boards of such entities that collaborate with the management of the Social Security system.

16.- As permitted by legislation, take any action which is the responsibility of the principal and renounce any claims lodged against it. Appear before the ordinary and special courts and tribunals of any instance and jurisdiction in all types of legal cases, as well as in relation to any type of voluntary, administrative and economic and administrative legal proceedings. Consequently, participate in conciliation acts with or without agreement intervene in inquests prepare necessary court declarations respond to summons and writs sue, dispute or agree, and report or bring action present and ratify briefs request and obtain documents request any type of proceedings be conducted including prosecutions, imprisonments, and releases from prison hear writs, subpoenas, summons, and notifications exercise and challenge powers promote joinders of writs and challenges of judges and court clerks present and defend evidence and provide court confessions make court appearances and visits and attend meetings with full voting rights including meetings of creditors of all types of bankruptcy proceedings, being authorized to participate in auctions and request the awarding of assets in part or full payment for the outstanding receivables claimed settle in or out of court, lodge and, basically, follow lawsuits or legal proceedings during each stage of the process and in relation to possible incidents and appeals until an outright ruling or sentence is reached and enforced under special circumstances, make any appeals, out-of-court settlements, waivers and statements that could lead to a stay of proceedings either through an out-of-court settlement or due to nullity exercise any other power not listed above stipulated in Articles 25 and 414.2 of Law 1 of 7 January 2000 governing lawsuits take charge of any funds or assets involved in the legal proceedings and, in general, exercise on behalf of the Company any rights the Company is entitled to under this law

17.- Settle and agree through arbitration any issues under the director's jurisdiction and using any means and to the extent and following the requirements stipulated in Spanish arbitration law and international trade arbitration legislation.

18.- Appoint a public notary to file affidavits and prepare and receive writs and summons.

19.- Replace, in whole or in part, the preceding authorities, grant corresponding powers and revoke powers granted, and obtain copies of all types of legal records and deeds.

20.- File by public deed any agreements made by the shareholders, Board of Directors or Executive Committee.

The General Secretary and Secretary to the Board of Directors, Mr. Antonio Abril Abadín, is Inditex's proxy and, subject to the same conditions and limitations applicable to the managing directors stipulated in the second and third paragraph of this section, has the powers described in points 1, 2, 4, 5, 6, 7, 9, 10, 11, 12, 14, 16, 17, 18, 19 and 20 of the above list.

Finally, and in relation to the possibility of issuing or re-purchasing shares, in the general meeting held on 17 July 2007, Inditex's shareholders authorized the Board of Directors to acquire treasury shares in the Company or shares in its subsidiaries, within the limits established by prevailing legislation.

## **Significant agreements**

Inditex has not signed any significant agreements which enter into force, are modified or expire as a result of a change in control in the Company deriving from a public takeover bid.

## **Agreements between the Company and its directors and management or employees**

Except for the agreements with the two executive board members and seven directors described below, the employment contracts of Inditex employees do not contain any specific clauses establishing compensation on termination of employment and, therefore, employees are only entitled to the compensation established under prevailing labor law.

In its meeting held on 9 June 2005, and having obtained a favorable report from the Appointments and Remunerations Committee, Inditex's Board of Directors agreed and approved nine (9) contracts with guarantee or golden parachute clauses currently established in favor of certain members of the Board of Directors, including two executive board members (the First Vice-Chairman and Managing Director, and the General Secretary and Secretary to the Board of Directors).

The aforementioned agreements establish that if an employment contract is terminated due to, inter alia, unfair dismissal or resignation as a result of certain causes (including a change in control of the Company, on the condition that a significant number of the Company's governing boards are reappointed, or a change in the content and objectives of its principal activity), the director will be

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entitled to compensation equivalent to two full years' salary, calculated based on the salary of the last year worked.

## **Corporate Governance Report**

The Corporate Governance Report can be found on the Inditex website [www.inditex.com](http://www.inditex.com) and it has been filed with the Spanish National Securities Market Commission under registration number 106.027.