

FY2004 Results Presentation

31 March 2005

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INDITEX

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

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

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

FY2004 Results:

- Overview
- Financial summary
- Concepts

Outlook:

- Strategic overview
- FY2005

José María Castellano

Deputy Chairman & CEO

Highlights

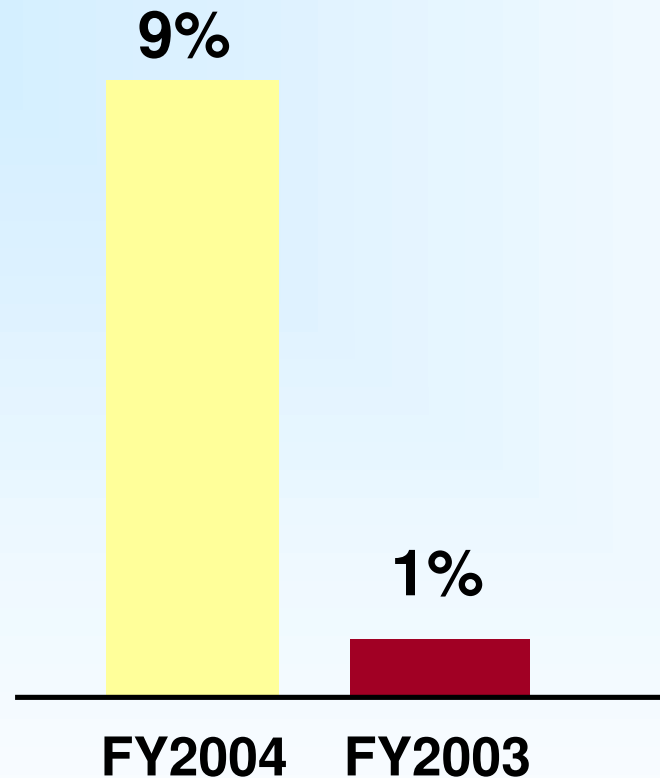
- Satisfactory sales growth
- Gross margin improvement
- Consistent performance in all concepts
- Back to historical returns
- Strong cash generation and reinvestment in the business

Summary:

- Sales growth +23%
- LFL sales growth +9% and 322 net store openings
- Gross margin 53.5%
- Net income growth +41%, EPS of €101 cents
- RoCE 40%

FY2004: Overview

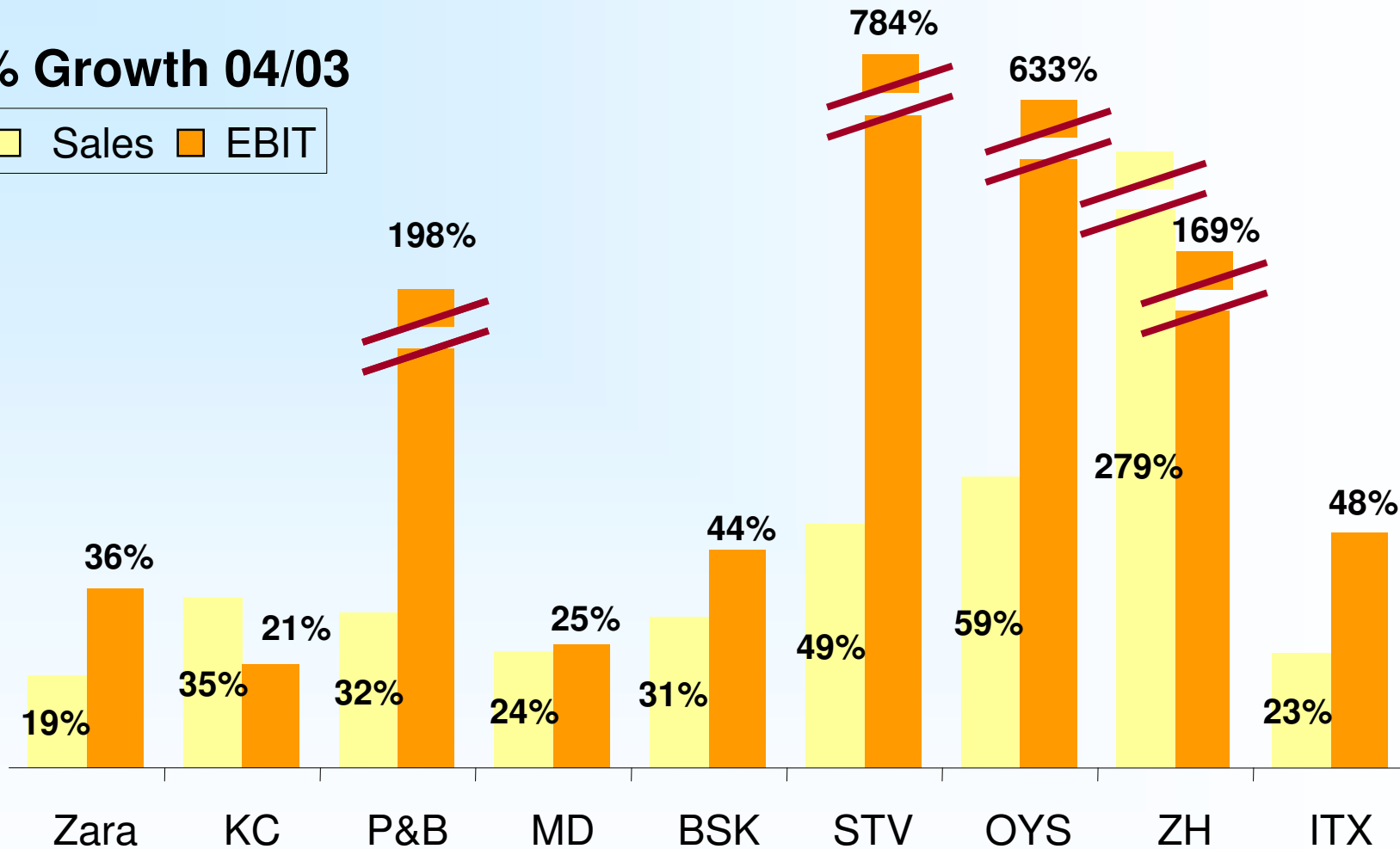
Like-for-like sales growth



- **Recovery after weak 2H03**
- **2 year CAGR in line with long term targets**

Performance per concept

% Growth 04/03

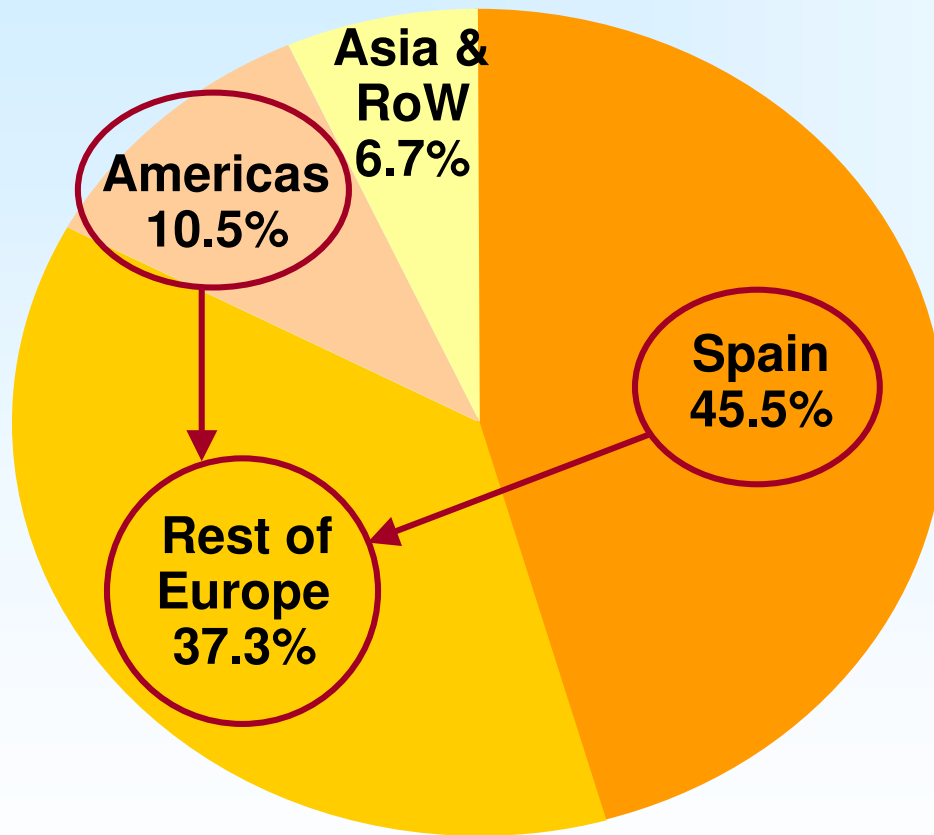


- Satisfactory performance in all concepts
- Turnaround in P&B and Stradivarius

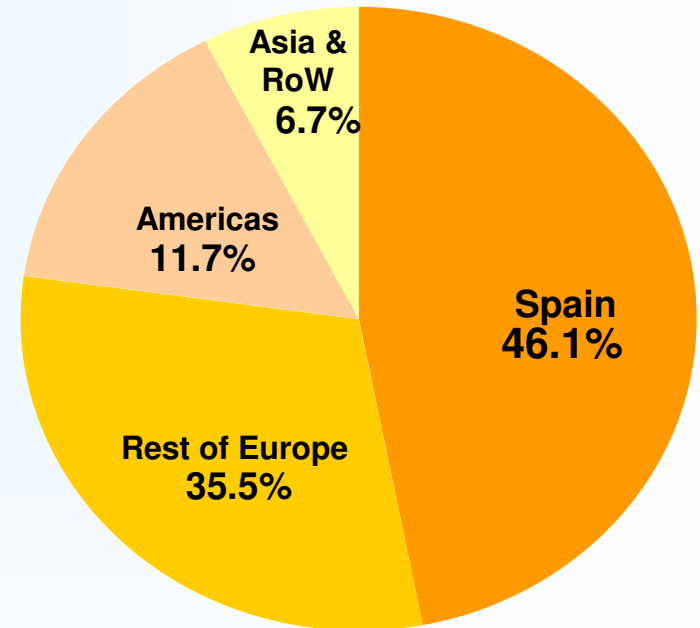
Geographic breakdown of store sales

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FY2004



FY2003



(1) Store sales: Includes sales in OMS and franchises

Borja De La Cierva

CFO

Financial summary

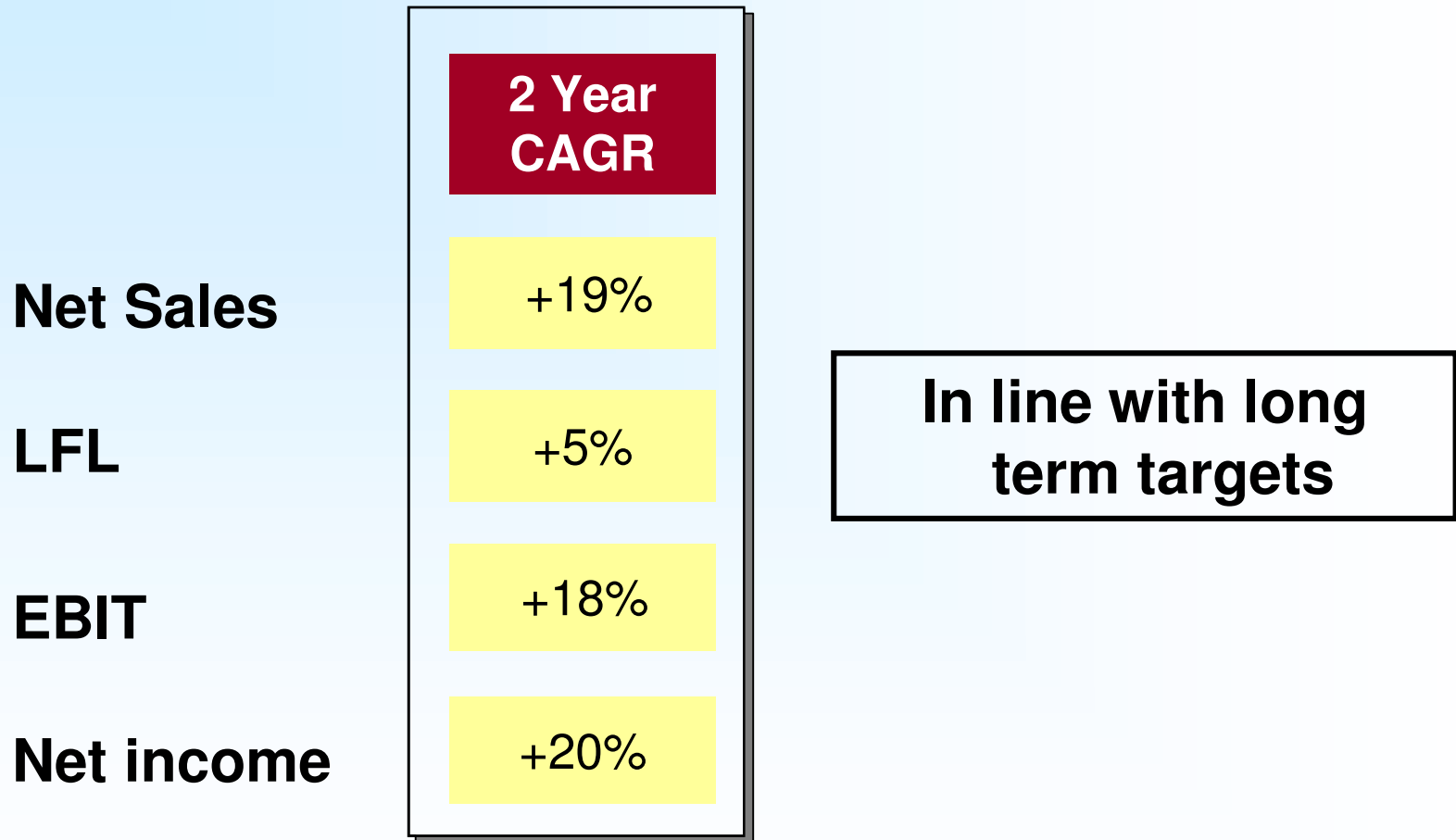
Highlights

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million €

	2004	2003	% 04/03
Net Sales	5,670	4,599	23%
Gross Margin <i>% margin</i>	3,034 53.5%	2,306 50.1%	32%
EBITDA <i>EBITDA margin</i>	1,240 21.9%	874 19.0%	42%
EBIT <i>EBIT margin</i>	925 16.3%	627 13.6%	48%
Net income EPS (€ cents)	628 101	447 72	41%

CAGR



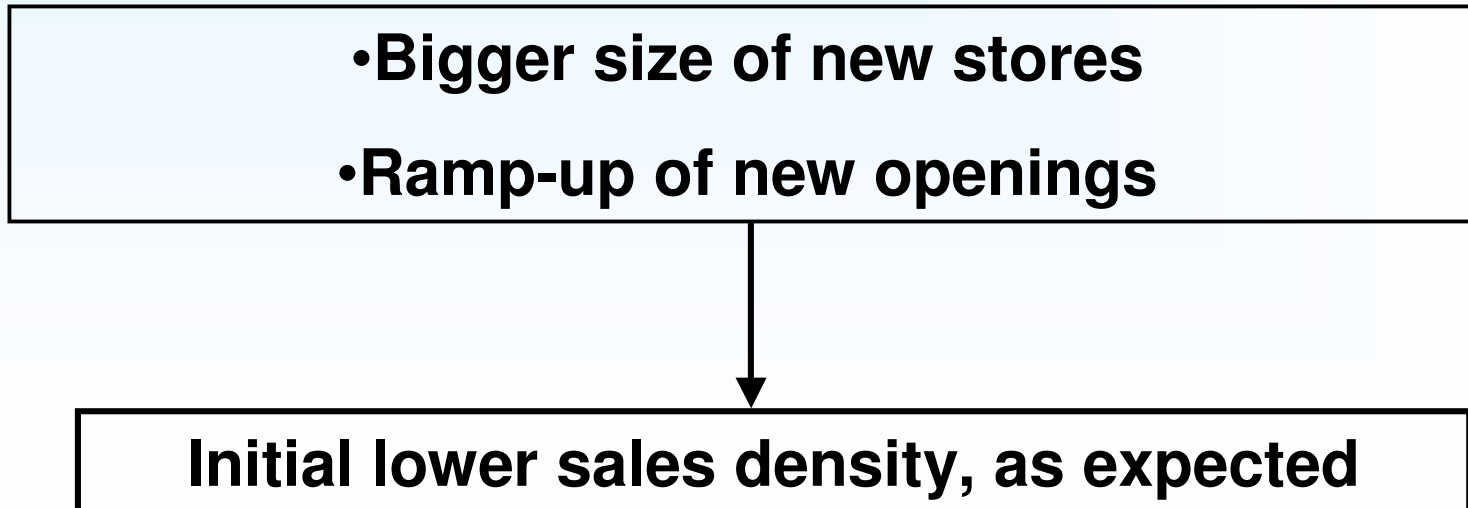
Sales growth

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	H1	H2	FY2004
Space contribution	+15%	+16%	+16%
LFL	+8%	+10%	+9%
Currency impact	(2%)	(2%)	(2%)
<hr/>			
Sales growth	+22%	+25%	+23%

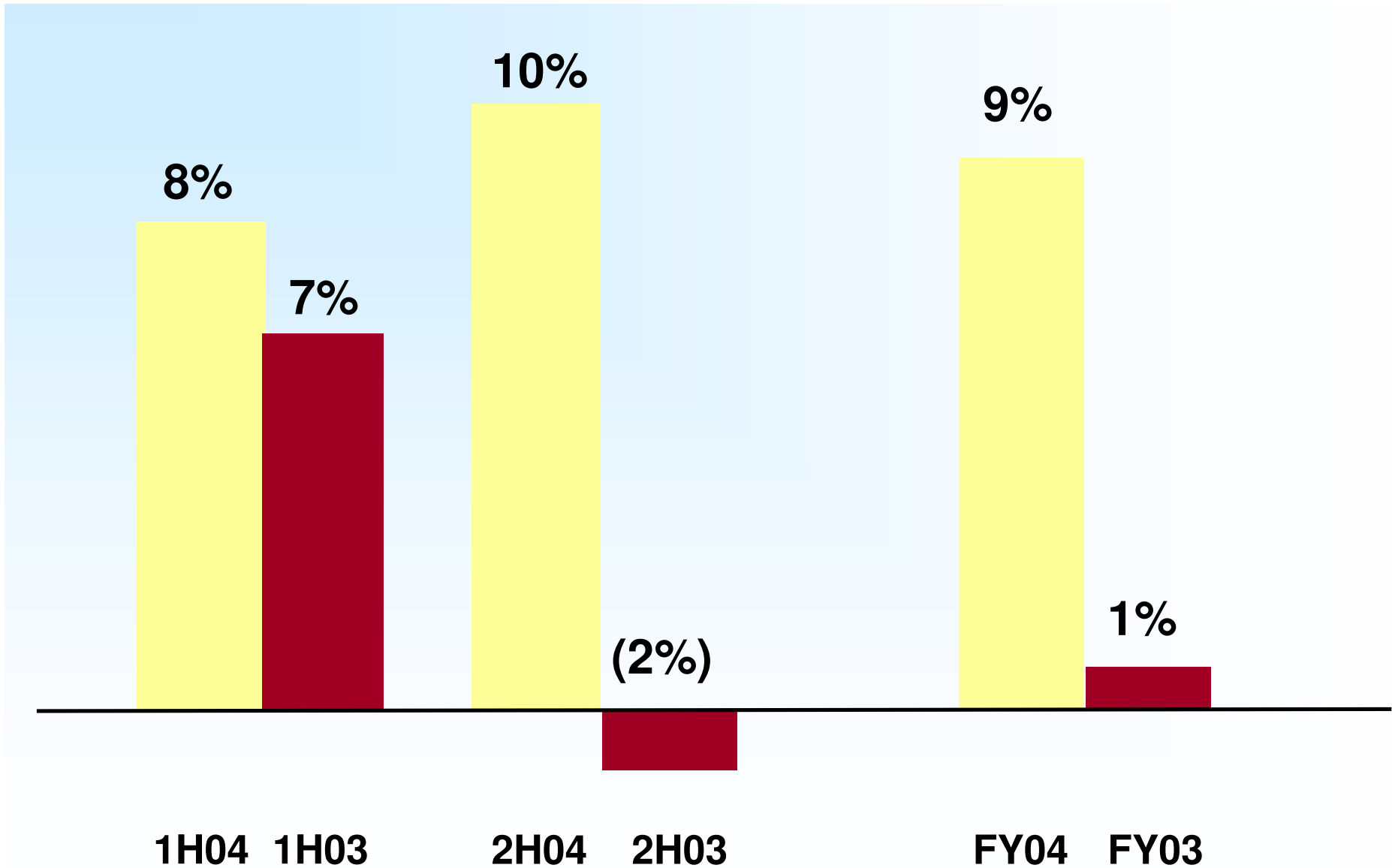
Selling area

	FYE2004	yoy
Total space (m ²)	1,175,070	+19%
Average new store size (Zara) (m ²)	1,289	+18%
Space contribution	+16%	



Like-for-like growth

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Gross margin

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(basis points)

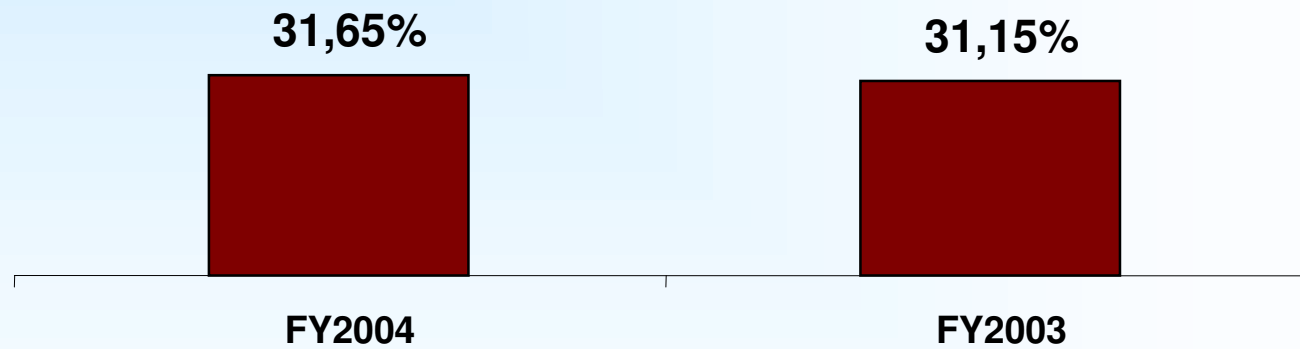
	H1	H2	FY04
Currency impact	90	120	110
Inventory mgmt . & product mix	115	314	227
	205	433	337

- **Price increases in some Latin American countries**
- **Lower currency impact**
- **Higher mark-ups**
- **Better inventory management**
- **Lower weight of sales period in both seasons**

Operating expenses

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Operating expenses on sales



Cost of new and immature space

Non-cash expenses

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(€ million)	FY04	yoy
Fixed assets depreciation	276.4	+25%
Goodwill amortisation	12.9	+37%
Provisions	25.2	+58%
Extraordinary loss	16.5	+189%
Minorities	10.1	+363%
Total non-cash expenses	341.1	

Financial results

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(€ million)	FY04	Q4 04
Interest charges	(1.2)	1.3
Inflationary countries Fin Exp restatement	(3.9)	(2.6)
Net financial expenses	(5.1)	(1.3)
Venezuela	(6.5)	-
Other (€/USD)	(10.6)	(4.3)
FX losses	(17.1)	(4.3)
Other (equity method)	(0.4)	(0.4)
Net financial results	(22.5)	(6.0)

Tax charge

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	FY04	FY03
Corporate income tax	248	165
Tax rate	28%	27%

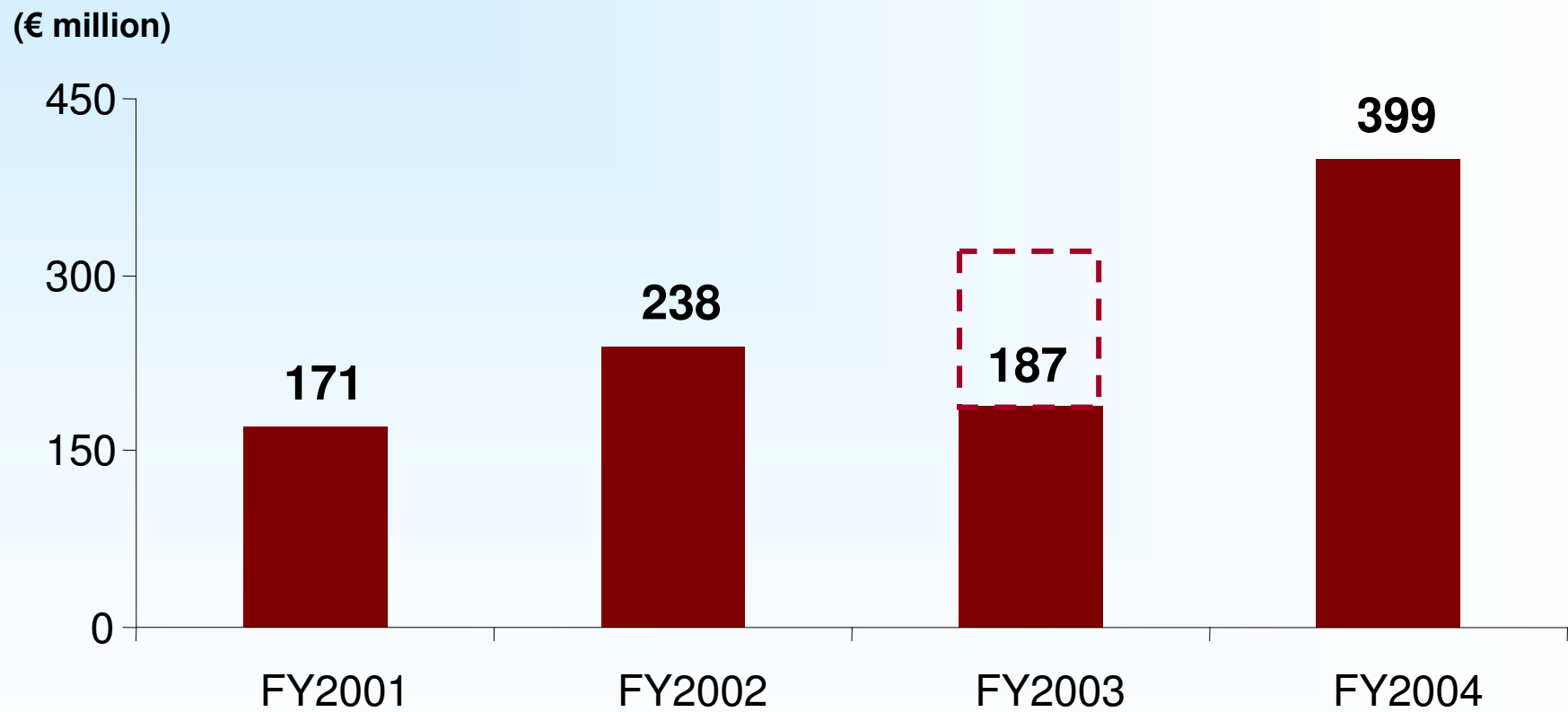
Working capital

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(€ million)	FY04	FY03	yoy
Inventory	514	486	6%
Receivables	283	329	(14%)
Payables	(1,208)	(1,011)	20%
Accruals	12	9	
Operating working capital	(399)	(187)	

Operating working capital financing

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Cash Flow

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(€ million)

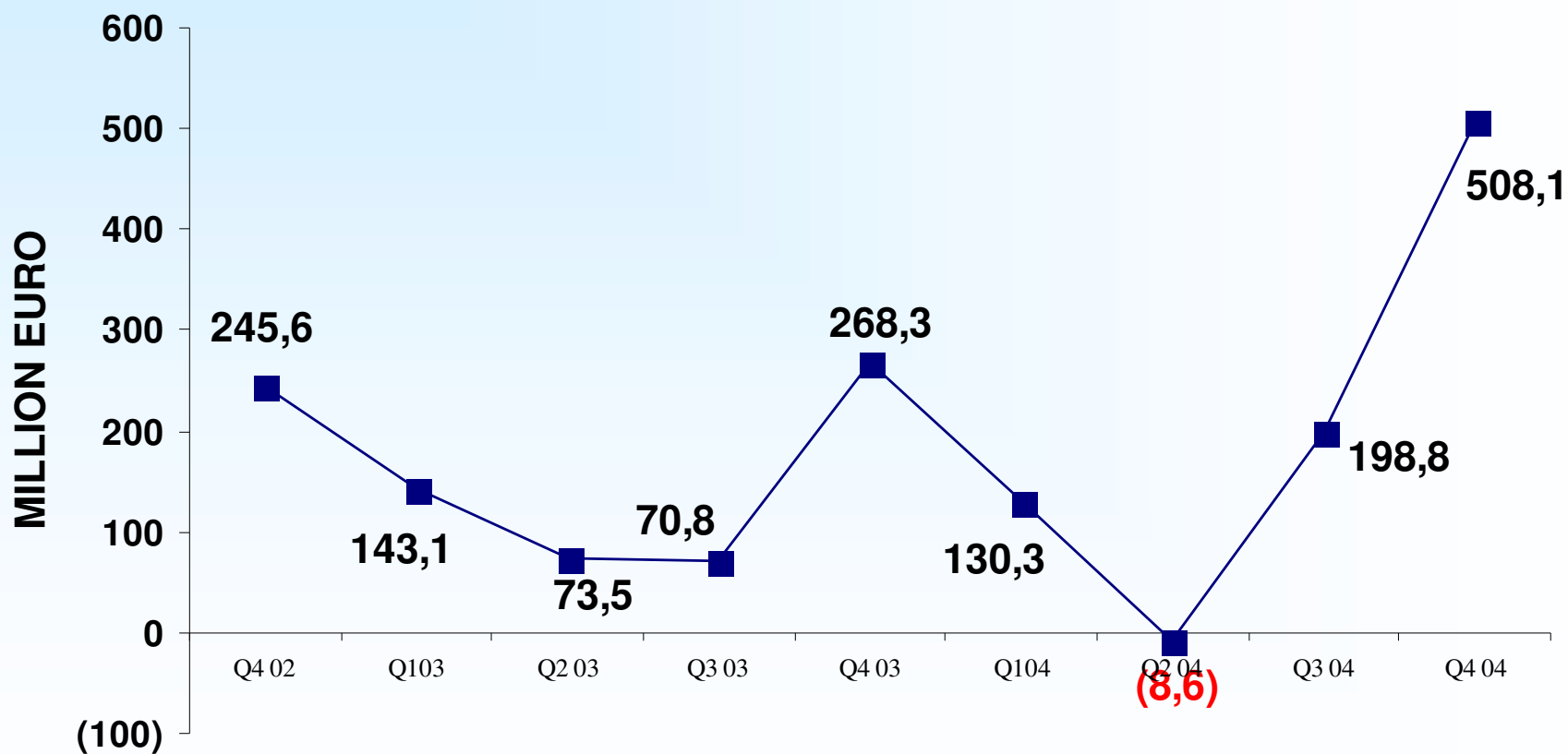
	FY04	FY03	yoy
Funds from operations	1,015	722	41%
Cash from operations	1,228	726	69%
CAPEX	742	628	18%
Free Cash Flow	487	98	404%

FY2004 CAPEX includes non-recurrent items

- Increasing stakes in Zara Japan and Zara Italy, and acquisition of Massimo Dutti franchised operations in Mexico: €77 million
- Financial investments: €36 million

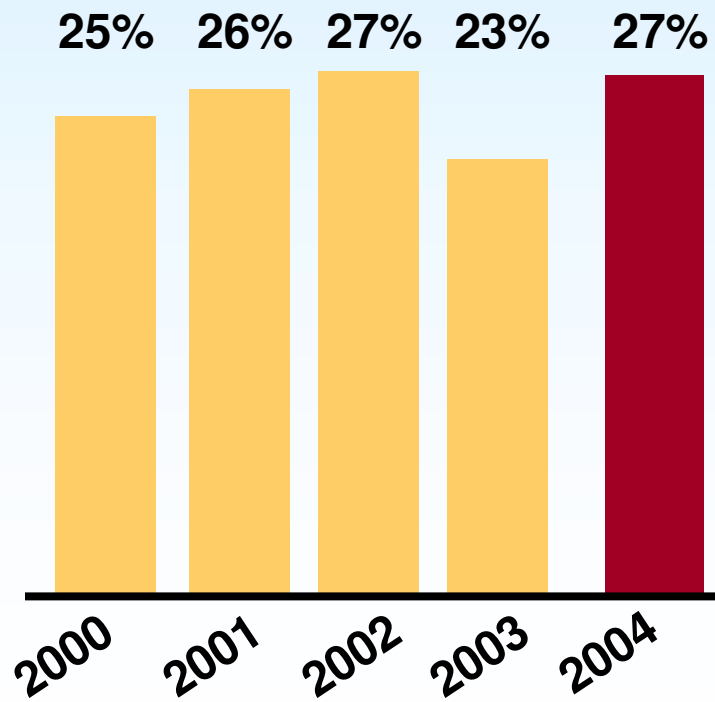
Financial position

NET FINANCIAL POSITION

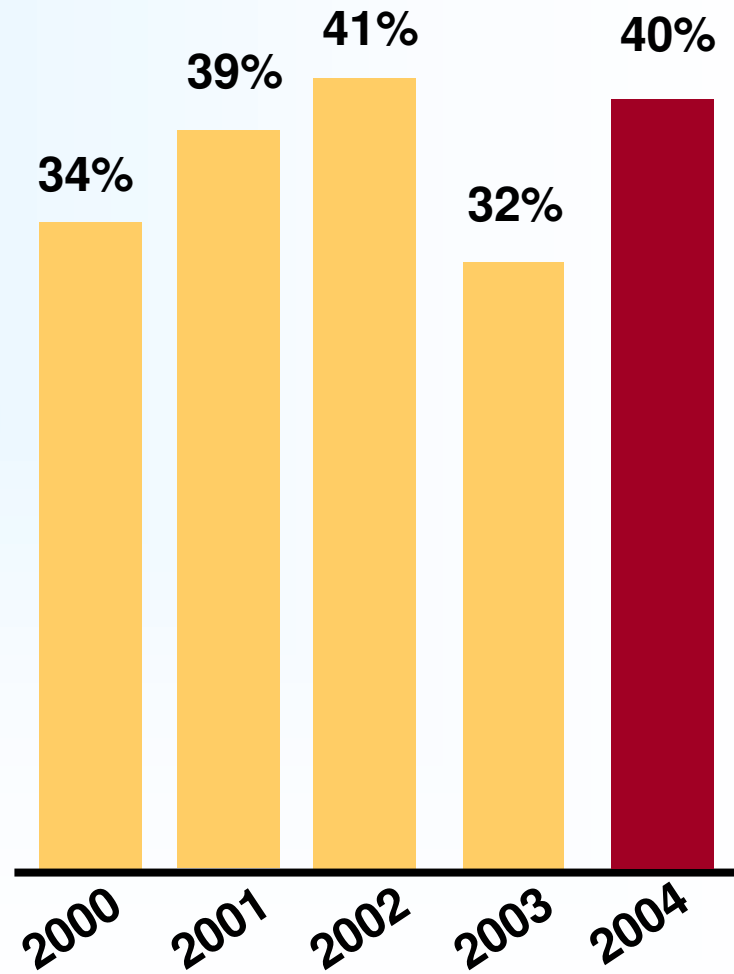


ROE and ROCE

ROE



ROCE



- **Expected impact in P&L account and balance sheet limited**
- **Cash flow neutral**
- **IFRS Briefing May 12**
- **Release of FY04 Results under IFRS and a detailed conciliation of the differences with Spanish GAAP**

Marcos López

Capital Markets Director

Inditex concepts

Zara

million €

	FY04	% 04/03
Sales	3,819.6	19%
EBIT ⁽¹⁾	647.8	35%
EBIT margin	17.0%	+217 bp
Stores	723	+97
ROCE	38%	+5%

- **66% International sales**
- **Currency impact**
- **Ramp-up of new stores**

(1) Before goodwill amortisation

Kiddy's Class

million €

	FY04	% 04/03
Sales	120.6	35%
EBIT	21.7	21%
EBIT margin	18.0%	(204 bp)
Stores	129	+26
ROCE	61%	(19%)

- Higher expansion rate
- Normalized returns

Pull & Bear

million €

	FY04	% 04/03
Sales	378.9	32%
EBIT	56.2	198%
EBIT margin	14.8%	+829 bp
Stores	371	+21
ROCE	44%	+28%

- Turnaround after 2003
- Sourcing changes in 2004: flexibility
- Lower expansion rate in FY04

Massimo Dutti

million €

	FY04	% 04/03
Sales	481.3	24%
EBIT	75.1	32%
EBIT margin	15.6%	+14 bp
Stores	326	+29
ROCE	50%	(6%)

- **Outperformed**
- **Entering in larger European markets**

Bershka

million €

	FY04	% 04/03
Sales	516.0	31%
EBIT	82.5	44%
EBIT margin	16.0%	+149 pb
Stores	302	+49
ROCE	52%	+6%

- **Outperformed**
- **Entering in larger European markets**

Stradivarius

million €

	FY04	% 04/03
Sales	241.9	49%
EBIT⁽¹⁾	38.9	784%
EBIT margin	16.1%	1,336 bp
Stores	227	+36
ROCE	43%	+38%

- Turnaround after 2003
- Changes in business model
- Further improvements expected for FY05

(1) Before goodwill amortisation

Oysho

million €

	FY04	% 04/03	
Sales	71.7	59%	•Outperformed •Focussed on target market
EBIT	15.6	633%	
EBIT margin	21.8%	1,709 bp	
Stores	104	+28	
ROCE	52%	+45%	

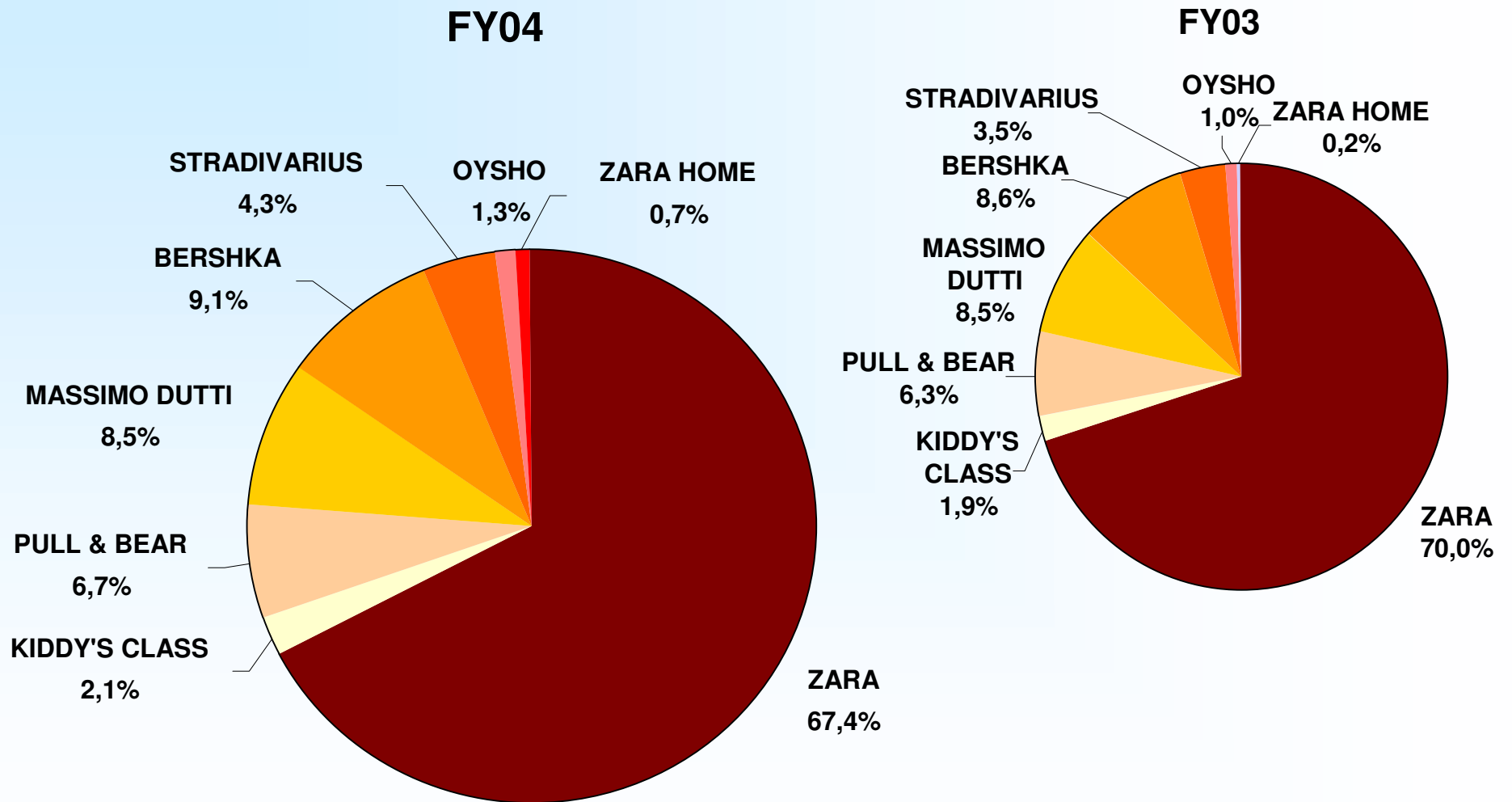
Zara Home

million €

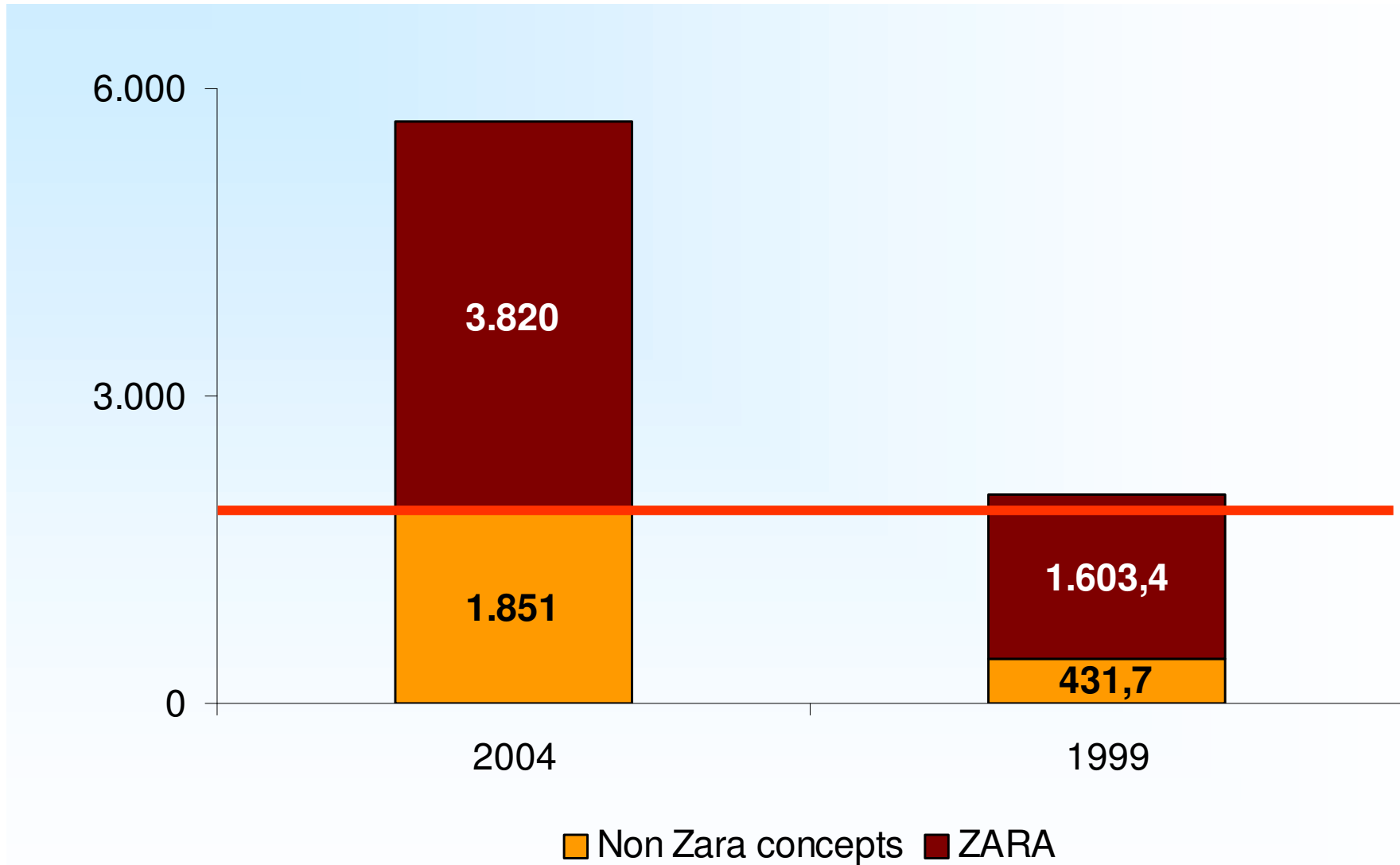
	FY04	% 04/03
Sales	40.4	305%
EBIT	0.3	n.a.
EBIT margin	0.8%	531 pb
Stores	62	+36
ROCE	2%	n.a.

- **Break-even**
- **In-line with expectations**
- **Still in launch phase**

Breakdown of store sales by concept

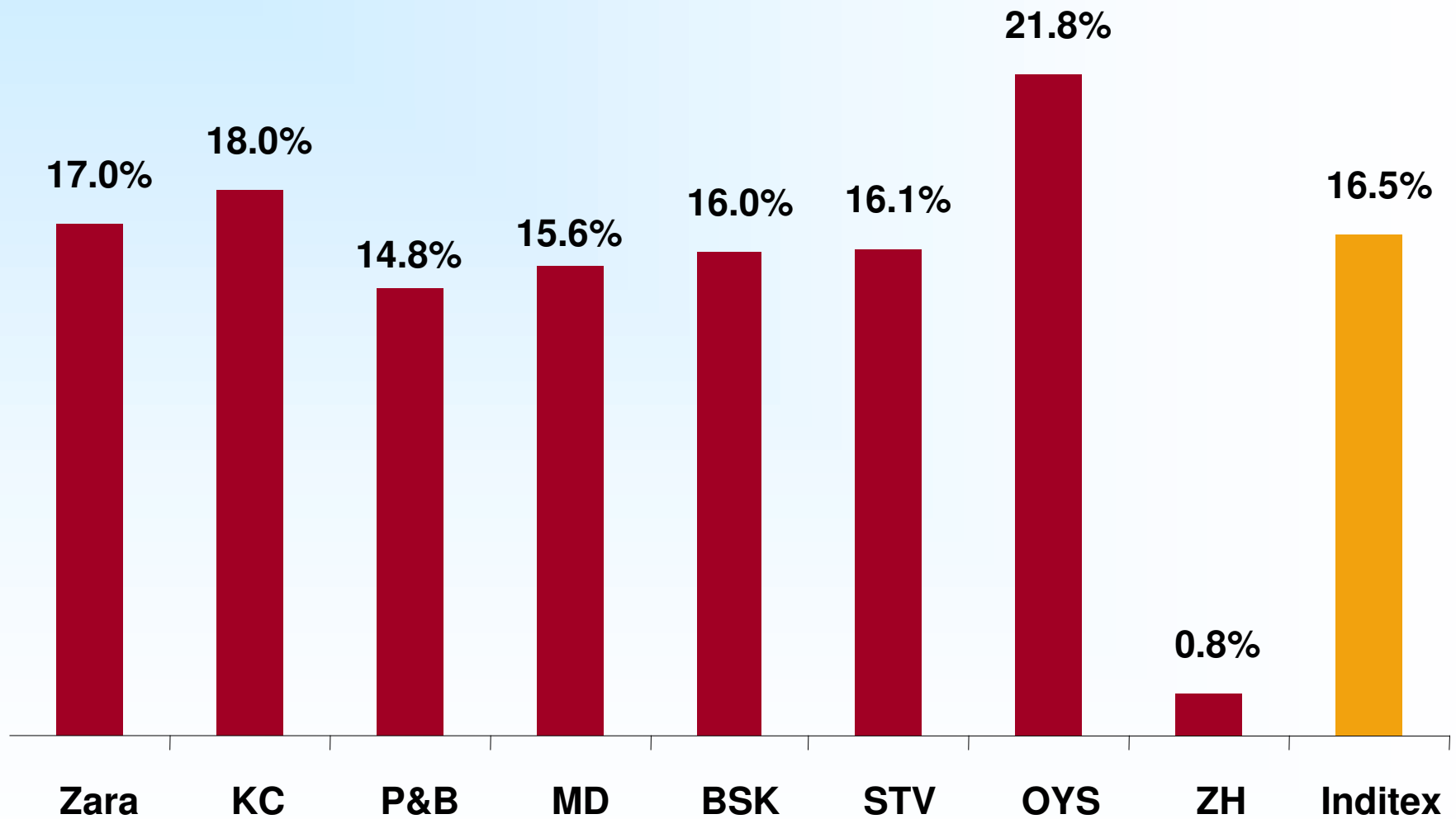


Incremental growth by new concepts



New concepts: Inditex size 5 years ago

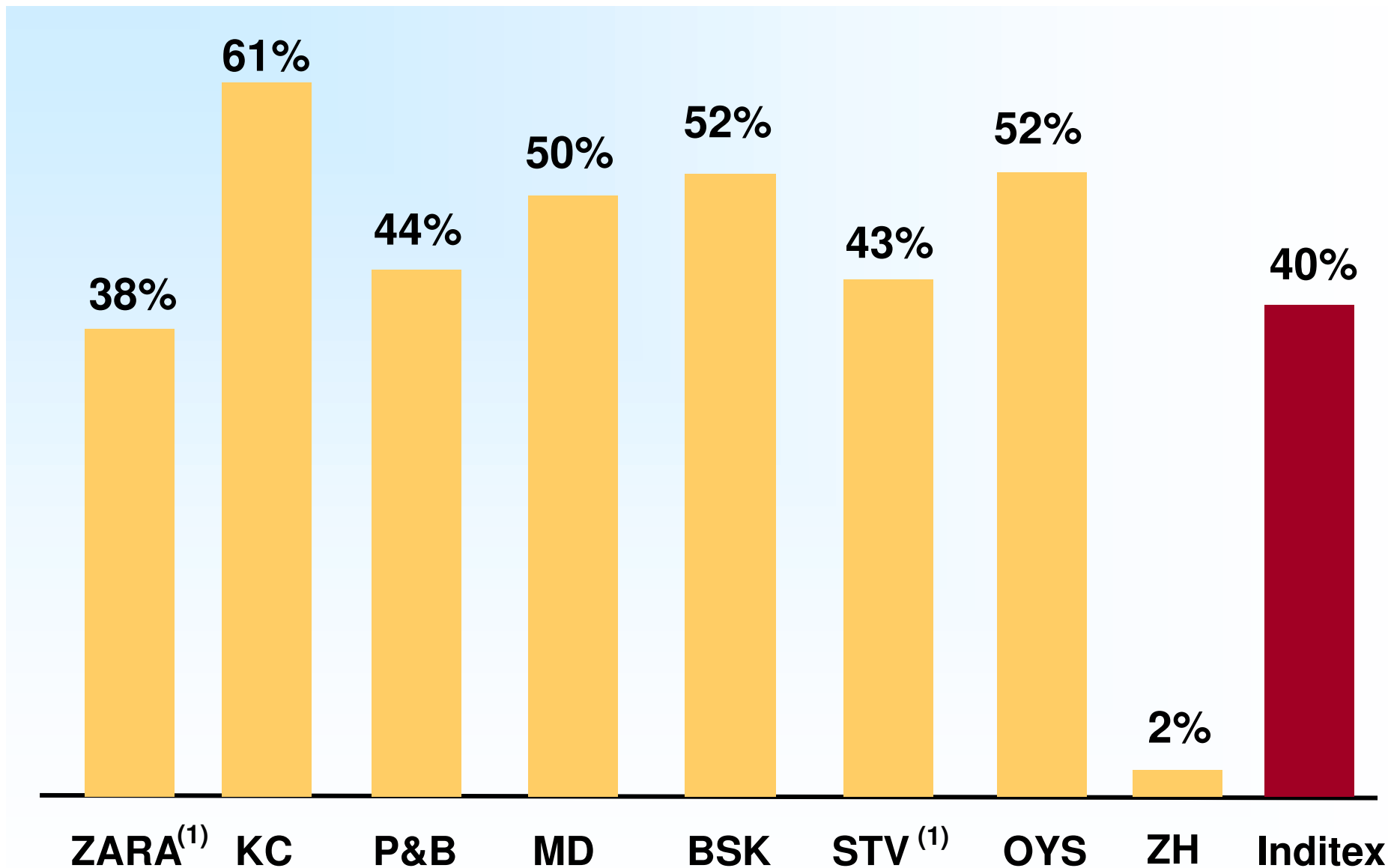
EBIT⁽¹⁾ margins by concept



(1) Before goodwill amortisation

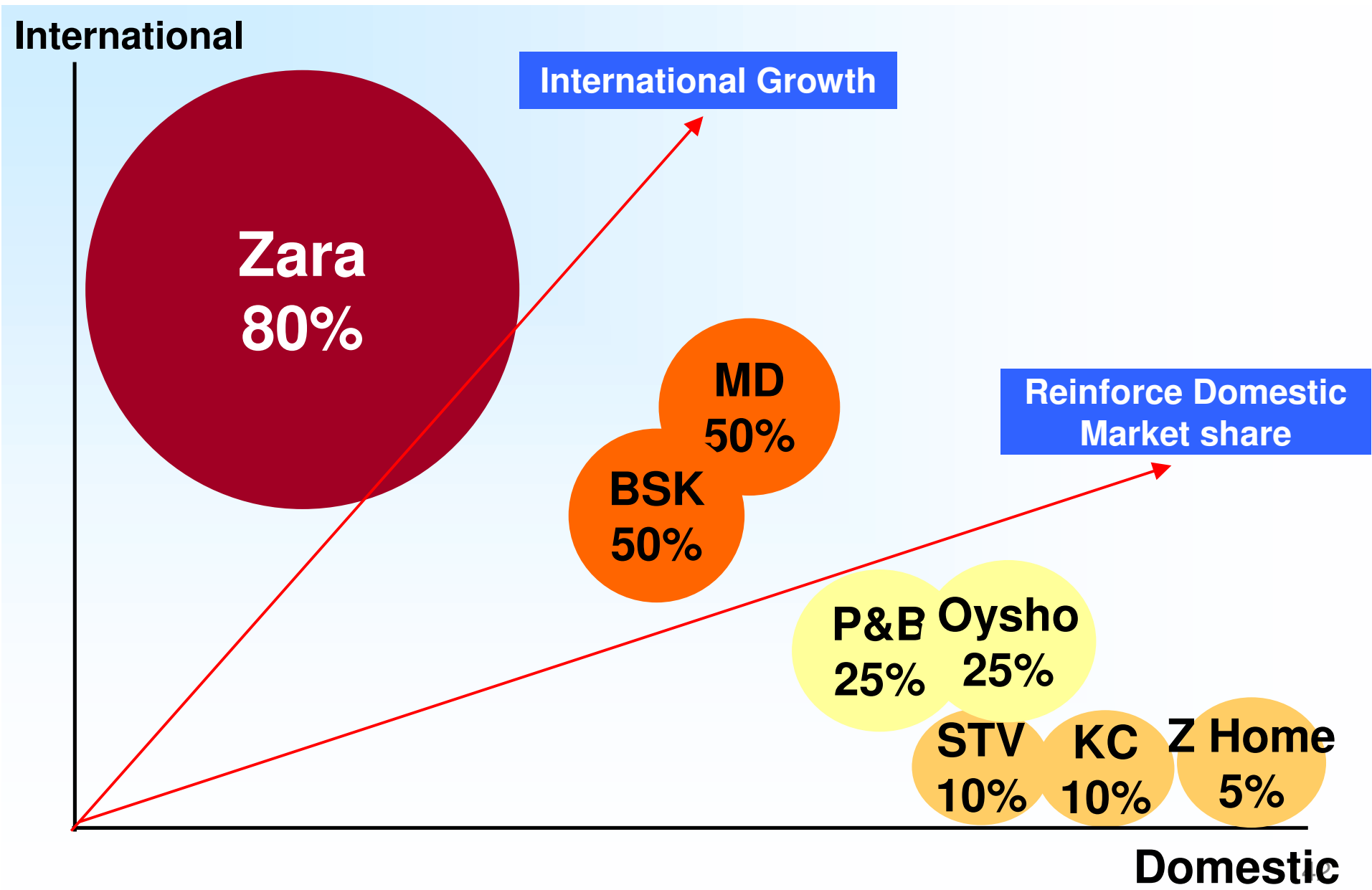
ROCE by concept

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(1) Before goodwill amortisation

International Expansion (% new openings 04)



José María Castellano

Deputy Chairman & CEO

Outlook

- **Organic Growth**
- **2009: Current Stores x 1.7**
- **Expansion focus: Europe ex–Spain, to remain an 80% European group**
- **Strengthening of the management team**

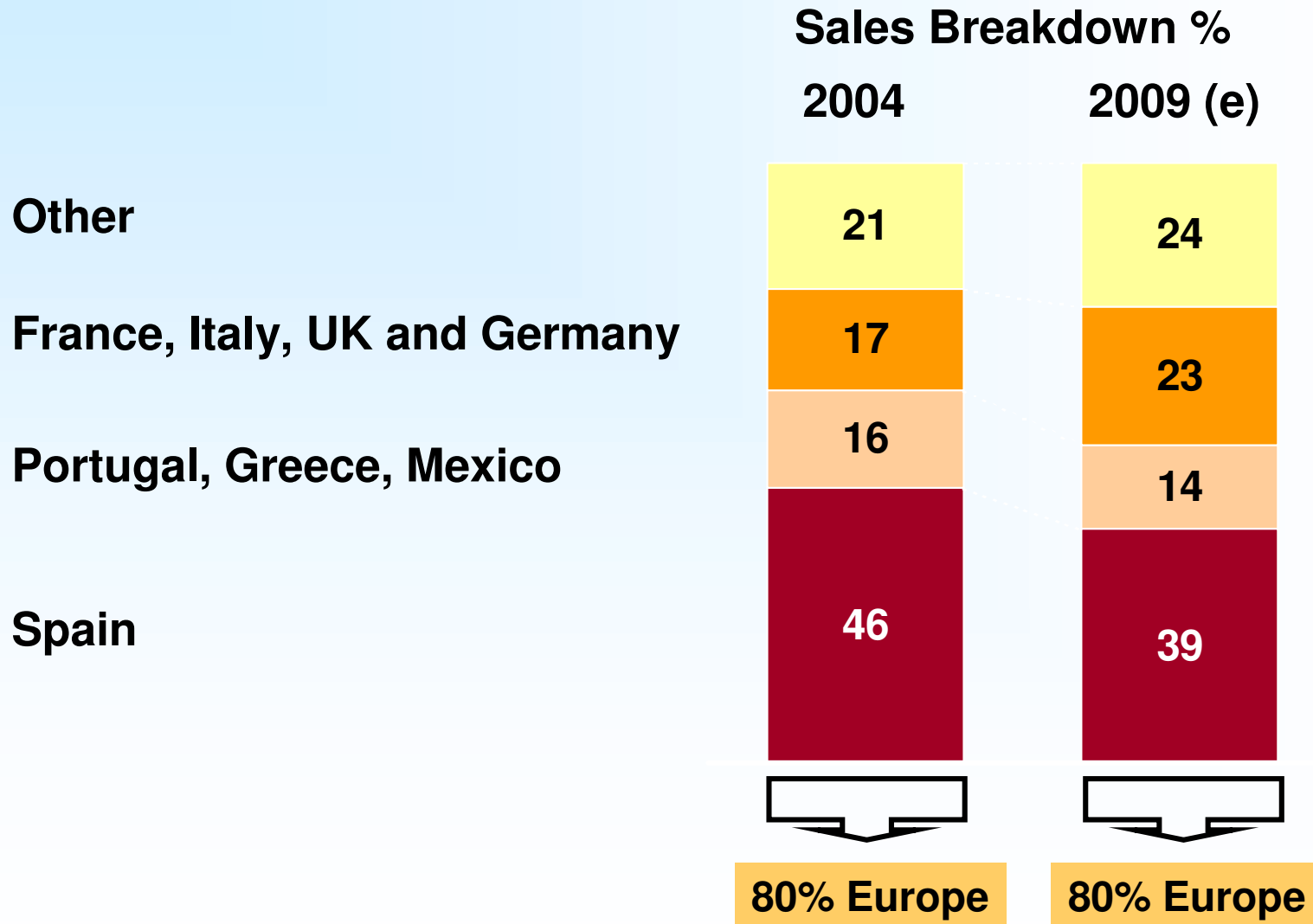
- **Focus international expansion in Europe**
- **Optimise performance in core markets**
- **Reinforce flexibility of the business model**
- **Resources to achieve the tasks**

Core markets

Optimise performance:


- **Ensure LFL sales growth meet cost growth in core markets**
- **Continue expansion of younger formats**
- **Selective in new malls**

International expansion focused in Europe

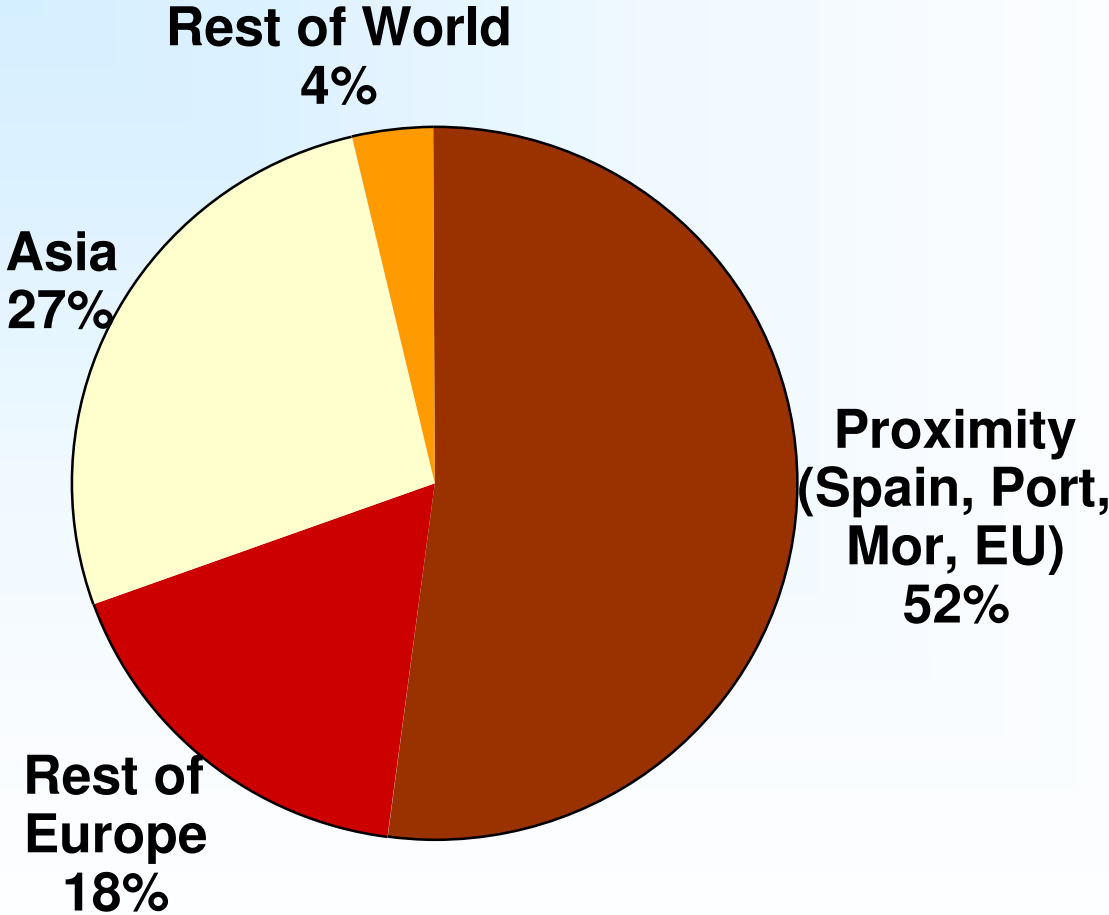


Priorities by concept 2005-2009

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	“Core” markets	R. of Europe	Rest of the World
ZARA	✓	✓	✓
Massimo Dutti	✓	✓	
Bershka	✓	✓	
Pull and Bear	✓	✓	
oysho	✓		
Kiddy's Class	✓		
ZARA HOME	✓		
	✓		

Sourcing by area in FY04



Strengthening of the Management Team

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- **Reinforce management team to scale the business**
- **Mr. Ortega Chairman, Mr. Castellano Deputy Chairman**
- **Ensure smooth transition for the new CEO, to be appointed over 2005**
- **Appointment of several managing director positions**

FY2005: CAPEX

- Expected CAPEX 700 - 800 MM €
- Store opening plan:

ZARA
 KIDDY'S CLASS
 PULL & BEAR
 MASSIMO DUTTI
 BERSHKA
 STRADIVARIUS
 OYSHO
 ZARA HOME
total net openings

Range		% Int'l openings
100	110	85%
20	25	10%
35	45	40%
30	40	55%
40	45	60%
25	30	30%
20	30	40%
30	35	30%
300	360	

- **300 / 360 store openings**
- **+15% / +20% space growth**
- **Best estimate for Gross Margin in 2005 at 2004 levels (53.5%)**

- **During the eight weeks since the beginning of the 2005 Spring-Summer season, sales growth is according to the Group's expectations.**

Dividend proposal

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- **Dividend proposal to AGM**
 - **Ordinary** **€30 cents per share**
 - **Bonus** **€18 cents per share**
 - **Total** **€48 cents per share**
- **299 MM € back to shareholders**

37% increase in shareholder remuneration

Q & A

31 March 2005