1998 annual report

# Inditex Group

# 1998 annual report

1. Chairman's statement 5

2. international presence 9

3. financial highlights 13

4. general information 21

Inditex Group

Zara

Pull & Bear

Massimo Dutti

Bershka

# 1. Chairman's statement

It gives me great pleasure to present the Annual Report of the INDITEX Group for the FY 1998.

The desire for innovation and constant improvement with which we began this project 36 years ago is the motivating idea which has guided us up to the present time. Now we have the privilege of seeing how this original idea, from which many others, with an open and creative mind, have emerged and continue to emerge, has converted itself into the INDITEX Group.

This desire for innovation leads us to approach 21st century society with a vision of the future which, with its basis in the diversity of components and scenarios forming our company, continues to drive us to face the challenges of the ever-more global society of which we are a part.

We must be aware that the experience we have gained is not enough to guarantee our leadership. We must also be faithful to the commitment to effort and improvement which inspires our company. More than 12.000 people from many different countries currently make up our Group. This diversity is synonymous with open-mindedness and flexibility, and pushes us to continue evolving, with enthusiasm and perseverance, towards new projects.

This report transmits a vision of the realities and the projects of the INDITEX Group and our capacity to adapt ourselves to the demands of our environment in the widest sense.

We have to be aware of the challenges that our Group faces. International expansion, carried our both independently and through agreements with other companies, is the objective that cannot be delayed and will allow us, through diversity, to enrich our culture and vision of the market. The creation of new chains and the widening of our product ranges is our response to the new opportunities of the environment. In short, the idea of innovation and constant improvement, which I mentioned before, must keep on being the motivating idea of our Group throughout the 21st century.

Finally, I would like to express my appreciation to all the people who work in the INDITEX Group and who through their dedication, enthusiasm and sacrifice, make the attainment of new goals possible every day.

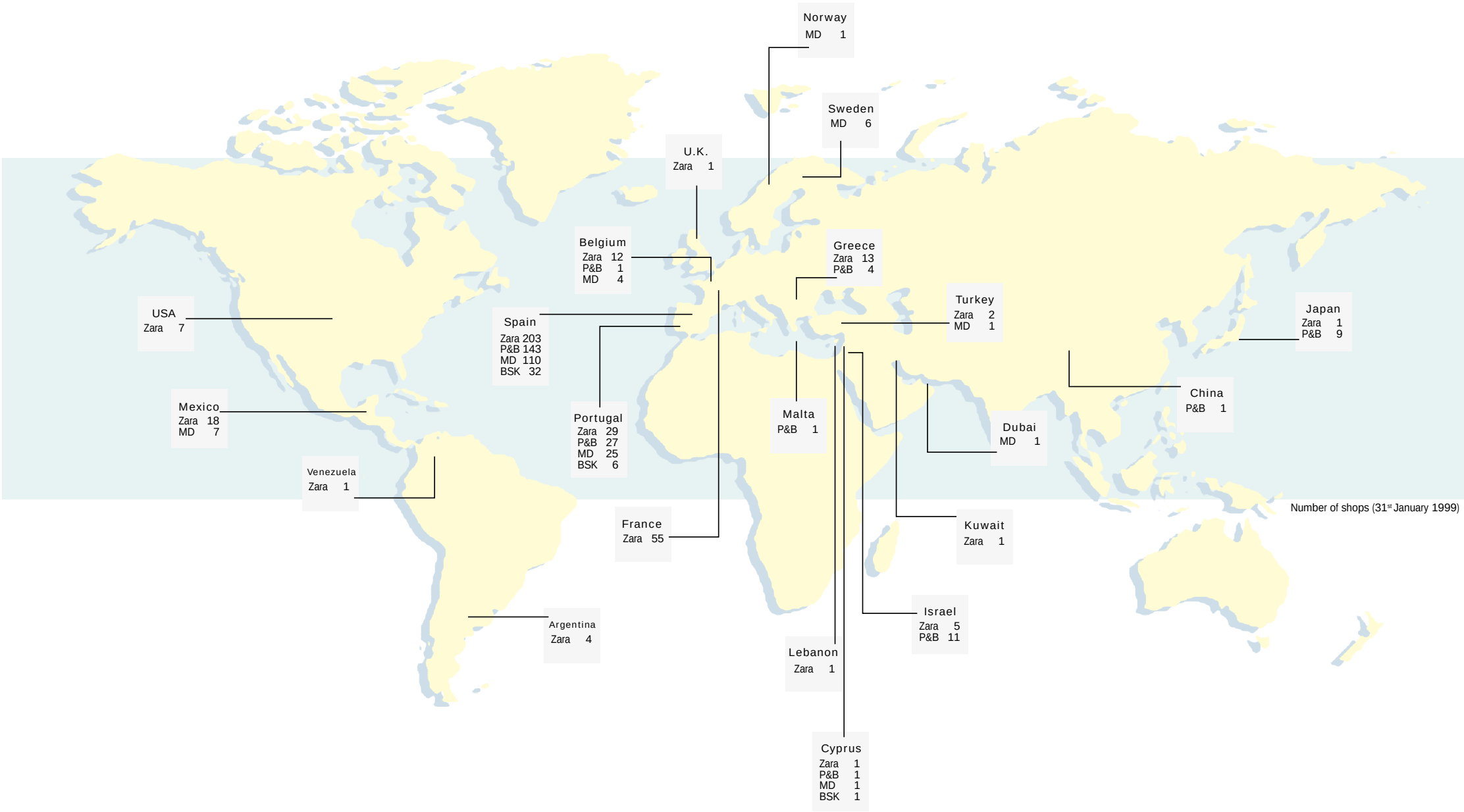
Amancio Ortega

Chairman

# 2. international presence

# Inditex Group

## A whole world to dress

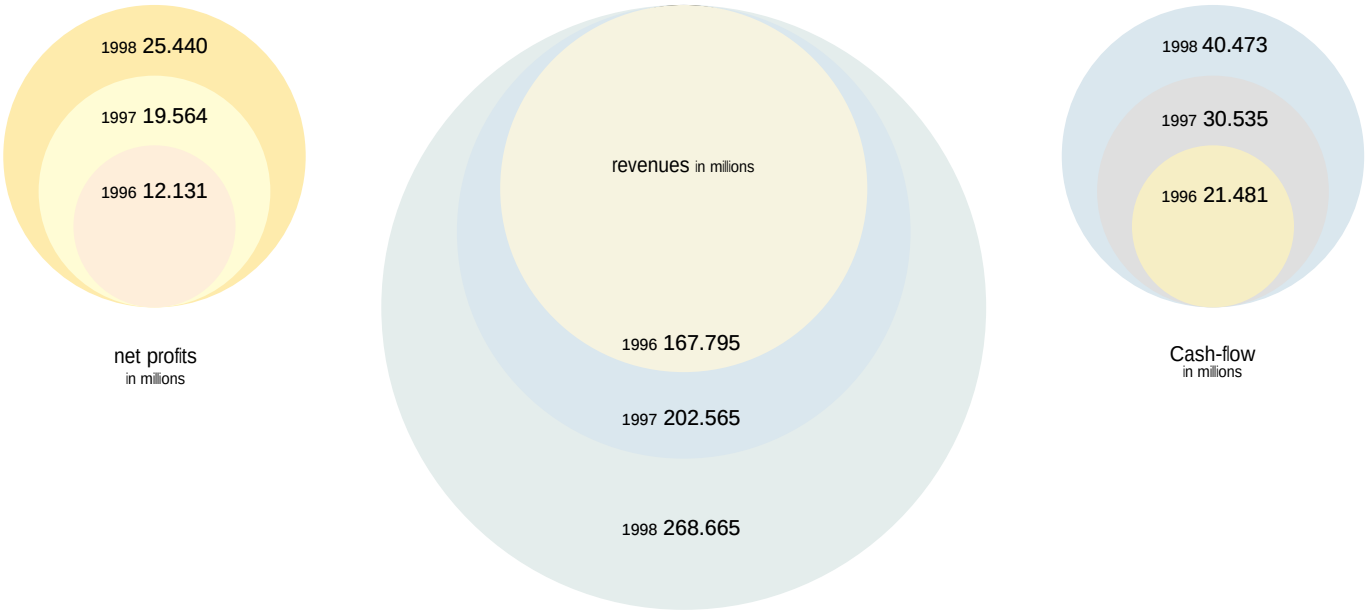



Number of shops (31st January 1999)

# 3. financial highlights

| | Monetary Amounts in Million Pesetas (ESP) | | | | | GR | CAGR |
|---|---|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 | 1998/1997 | 1998 -1994 |
| **REVENUES** | | | | | | | |
| Net revenues | 268,665 | 202,565 | 167,795 | 143,617 | 125,815 | 33% | 21% |
| Net sales in owned stores and franchises (VAT excl.) | 253,818 | 191,020 | 155,882 | 133,969 | 117,305 | 33% | 21% |
| Percentage of net sales abroad | 46% | 42% | 36% | 30% | 25% | | |
| **PREOFITS & CASH-FLOW** | | | | | | | |
| EBIT | 39,098 | 30,395 | 24,366 | 21,347 | 18,057 | 29% | 21% |
| Consolidated income before taxes | 38,100 | 29,583 | 18,657 | 15,387 | 14,092 | 29% | 28% |
| Consolidated net income for the year | 25,440 | 19,564 | 12,131 | 9,155 | 8,713 | 30% | 31% |
| Income atributable to the controlling company | 25,480 | 19,532 | 12,102 | 9,093 | 8,539 | 30% | 31% |
| EBITDA | 54,184 | 42,196 | 37,161 | 29,239 | 23,371 | 28% | 23% |
| Cash - flow | 40,473 | 30,535 | 21,481 | 19,114 | 14,427 | 33% | 29% |
| **FINANCIAL STRUCTURE** | | | | | | | |
| Shareholders' investment | 112,040 | 88,169 | 69,031 | 51,241 | 42,276 | 27% | 28% |
| Net financial debt | 15,477 | 6,382 | 16,363 | 13,742 | 14,788 | 143% | 1% |
| Working capital | -8,625 | 315 | -6,724 | -11,450 | -11,195 | -8,940 | |
| Financial | 10,535 | 15,267 | 3,938 | -159 | 581 | -4,732 | |
| Non financial | -19,160 | -14,952 | -10,662 | -11,291 | -11,776 | -4,208 | |
| **OTHER INFORMATION** | | | | | | | |
| Total investment in fixed assets | 46,091 | 21,400 | 19,200 | 25,802 | 28,000 | 115% | 13% |
| Number of stores | 748 | 622 | 541 | 508 | 424 | 126 | 81 |
| In Spain | 489 | 433 | 399 | 391 | 343 | 56 | 37 |
| Abroad | 259 | 189 | 142 | 117 | 81 | 70 | 45 |
| Average number of employees (*) | 11,968 | 8,368 | 6,463 | 5,627 | 5,018 | 3,600 | 1,737 |
| In Spain | 7,637 | 5,857 | 4,573 | 4,158 | n/d | 1,780 | 1,909 |
| Abroad | 4,331 | 2,511 | 1,891 | 1,469 | n/d | 1,820 | 1,083 |
| Average full time equivalents (*) | | | | | | | |
| Sales surface in square metres (sqm) | 327,490 | 261,372 | 233,374 | 209,918 | 184,279 | 66,118 | 35,803 |
| In Spain | 193,614 | 163,767 | 151,653 | 144,348 | 136,638 | 29,847 | 14,244 |
| Abroad | 133,876 | 97,605 | 81,721 | 65,570 | 47,641 | 36,271 | 21,559 |
| **MANAGEMENT RATIOS** | | | | | | | |
| Average sales per square metre | 0,78 | 0,73 | 0,67 | 0,64 | 0,64 | | |
| Inventory turnover (purchases / average stocks) | 6,77 | 7,31 | 7,24 | 8,21 | 8,97 | | |
| EBT on store sales | 15% | 15% | 12% | 11% | 12% | | |
| Net profit on store sales | 10% | 10% | 8% | 7% | 7% | | |
| Operating profit on store sales | 21% | 22% | 22% | 20% | 18% | | |
| **FINANCIAL RATIOS** | | | | | | | |
| Net debt on equity | 14% | 7% | 24% | 27% | 35% | | |
| ROE (income attibutable on average shareholders' invest.) | 25% | 25% | 20% | 19% | 22% | | |
| ROCE (EBIT over average capital employed) | 35% | 34% | 32% | 35% | 38% | | |
| Cash - flow on net financial debt | 3,50 | 6,61 | 2,27 | 2,13 | 1,58 | | |
| Cash - flow on net interest expenses | 54 | 42 | 37 | 29 | 23 | | |
| Net gearing (assets on equity) | 2,0 | 1,8 | 2,0 | 2,3 | 2,5 | | |

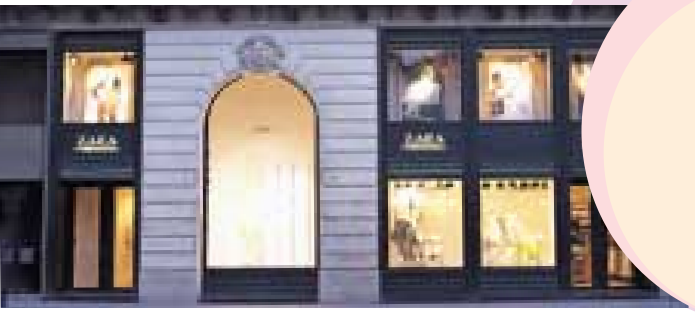
# growth

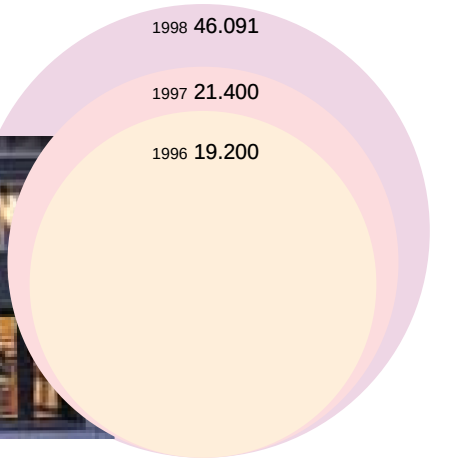



In the fiscal year 1998 the Inditex Group has achieved revenues of Pta. 268,665 million, a 33% increase on the previous year. Net profit (Pta 25,480 milion) and funds from operations (Pta 40,473 million) increased by 30% and 33% respectively, on the previous year.

The different chains of the Inditex Group (ZARA, Massimo Dutti, Pull & Bear and Bershka) have maintained a strong rate of growth, with 125 store openings. The number of stores by FYE1998 was 748. In 1998 a new chain was launched, Bershka, focussed on trendy fashion for the urban young girl. By FYE1998 Bershka had 40 stores in Spain, Portugal and Cyprus. In 1999 it will reach a total of 69 stores.

# international expansion



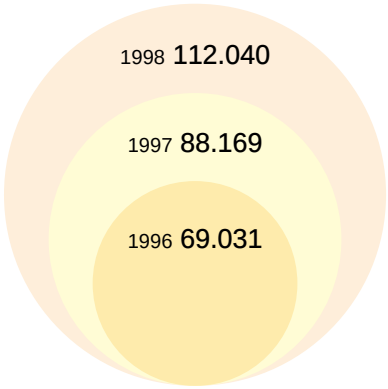



total investmentsin fixed assets
in million

## international business accounted for 46% of the total turnover in FY1998, versus 42% in the previous year

At the end of 1998 the Inditex Group was present in 21 countries. During that period it increased its international presence by opening new markets such as UK, Japan, Argentina, Venezuela, Kuwait, Lebanon, Turkey and Dubai. The following is worth of mention: the opening of a flagship ZARA store in London (Regent Street, 1,800 sq. m.) meant the entry in the UK market. A second store was opened in March 1999 in Bluewater (Kent). The opening of the first store in Asia, located in the Shibuya district in Tokyo, took place as part of an agreement with the Bigi Group for the Japanese market. This store will be followed by more in Osaka.

# by FYE1999 international business will represent over 50% of the total turnover




shareholder's investment
in million pesetas

During 1999 new markets have been entered such as Chile and Uruguay. In the rest of the year stores will be opened in Canada, Germany, Poland, Brazil, Saudi Arabia, UAE and Bahrain, expanding the Inditex Group's international presence to 30 countries. The entry of the Inditex Group into Germany, the biggest European market, through a joint-venture agreement with the Otto Versand Group will mean the opening of ZARA stores in Cologne and Hamburg before the end of the year.

The entry into Brazil, the biggest retail market in Latin America, with four ZARA shops by the end of 1999 will mean the consolidation of the Inditex Group in the main markets of this area. The entry into Canada will also take place with stores in prime commercial areas in Toronto, Montreal and Vancouver by the end of 1999, through an agreement with The Reitmans Group.

the Inditex Group has consolidated a presence in the biggest markets in the world and is well-positioned to maintain high growth rates in its activities in the coming years.

# 4. general information

# Inditex Group

The Inditex Group is the development of a special idea about fashion and business management which started in La Coruña in the early 60's with a team led by Mr. Amancio Ortega Gaona. From its beginning, several features have stood out and become the basis for the Group's national and international expansion: creativity, painstaking design, innovation, fast response to the market, special attention paid to the interior design of the shops and flexible management.

# an idea about fashion associated with an integrated structure

The Inditex Group covers a great part of the production process. It is an organisation in which design, production, supply, distribution, sales and management complement each other with precision. Creativity and efficiency go hand in hand so that its success in its design of collections is accompanied by an appropriate management system.

Inditex is a fashion concept linked to a large management structure.

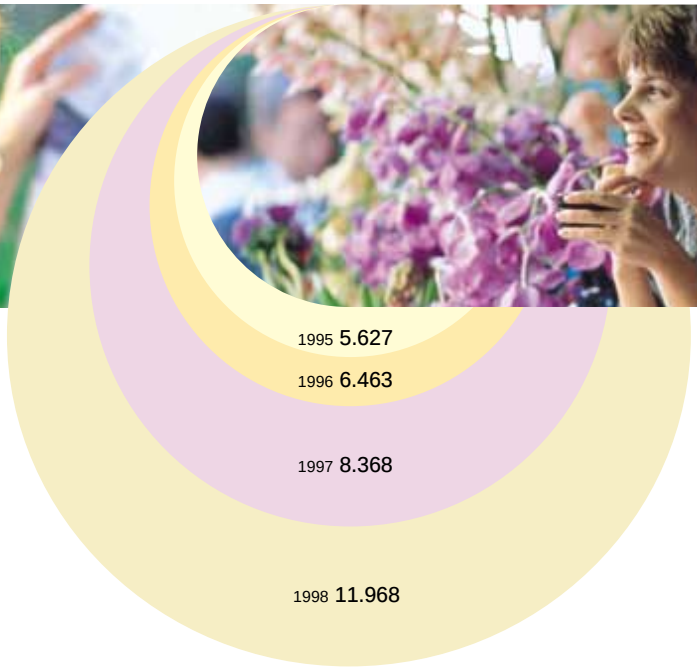
# flexibility

## fashion in the Inditex Group is interactive

The distinctive stamp of the Inditex Group is its flexibility. Its working philosophy, enthusiasm.

Throughout this long production process, which begins in the design department and ends in the shop windows, there are no rigid structures but rather working centres and decision-making bodies which are absolutely adaptable to the changing conditions of the market and, which are driven by endless enthusiasm and creativity.

# enthusiasm




average number of employees
Persons/year.

People are the energy that moves the Inditex Group and it is precisely in those 12.000 employees, distributed in different tasks, that the heart of the company beats. A team which promotes the enterprising spirit, professionalism, involvement and enthusiasm of the people who make it up.

Thanks to them, it is a reality.

# creativity

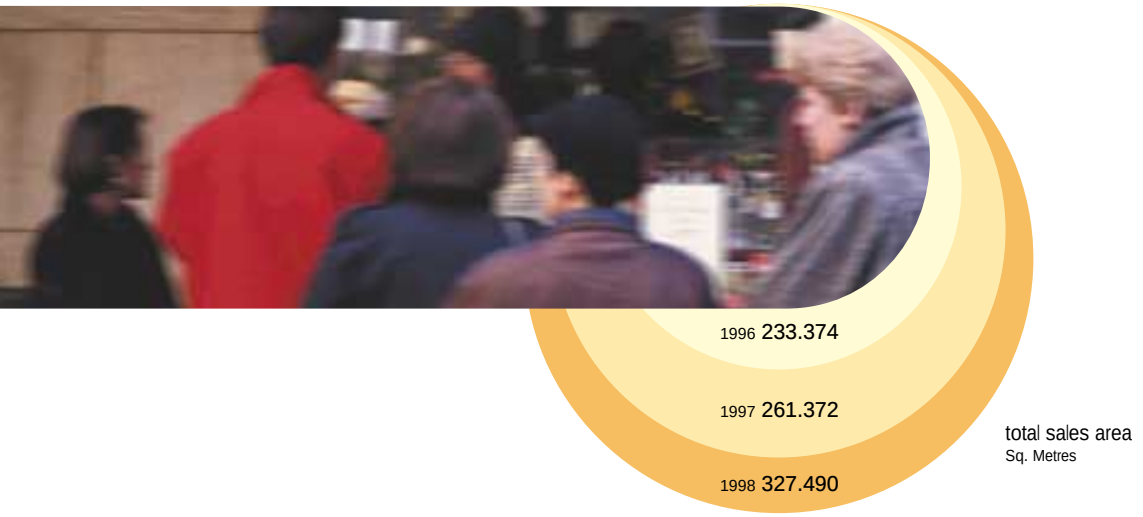
## we establish communication with the client not only through the garments but also through our shops

The client is the base that supports the strength of the Group. Knowing their desires, responding promptly, maintaining a constant dialogue with them in those meeting points which are the shops; here we have the pivots upon which Fashion rests.

The public is both the origin and the destination of the long journey travelled by a garment from the moment it is born in the designer's imagination till it is offered in the shop.

ZARA

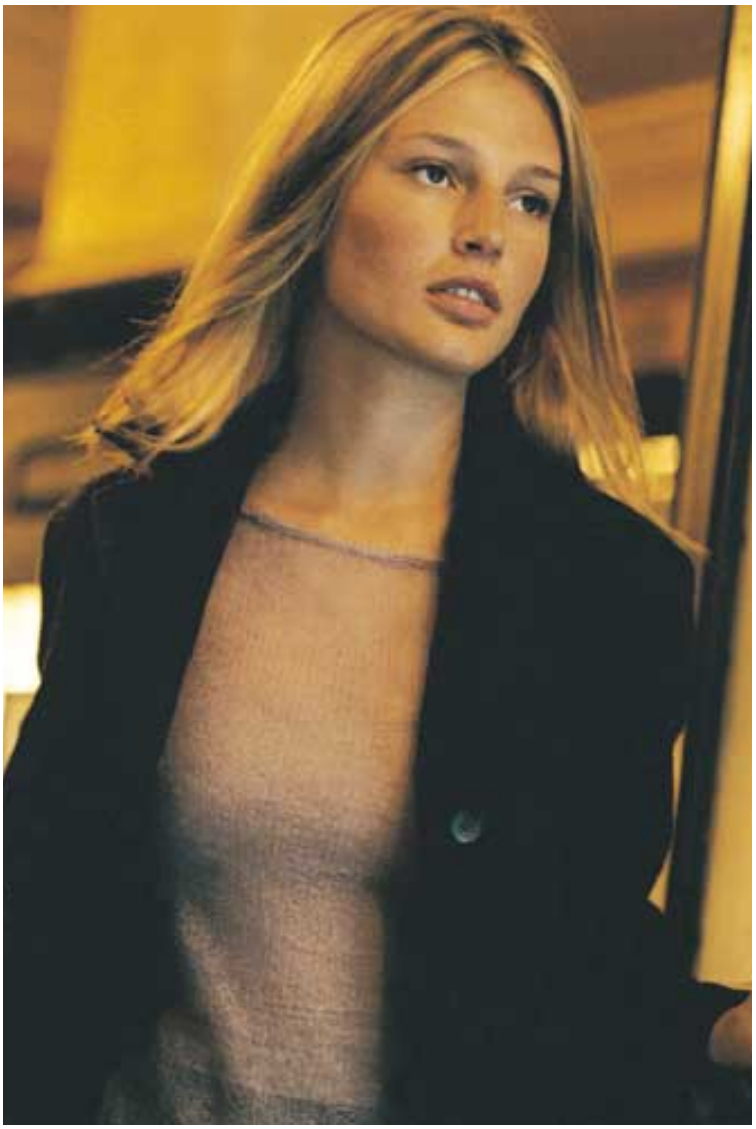
# the motivating idea of the Inditex Group is to bring fashion closer to people




The Inditex Group adapts itself to the complexity of the markets by diversifying its offer, creating and incorporating different chains each with its own personality and strategies:

ZARA, Massimo Dutti, Pull&Bear, Bershka.

# innovation



in contrast to the idea of fashion as a privilege we propose a fashion that invades the street and that takes inspiration from the taste, desires and lifestyle of modern men and women.

ZARA
ZARA
ZARA
ZARA

ZARA

# dressing ideas, trends and tastes

ZARA represents the first step in the development of this special idea about fashion and business management, which began when the first shop was opened in La Coruña in 1975.

after 24 years, the ZARA concept is now present in 16 countries with a network of more than 350 shops.

The conviction that frontiers will not prevent the sharing of the same clothing culture is the main principal of the expansion process in progress which, although adapting itself to the peculiarities of each country, has common guidelines such as privileged locations in the main cities, and exquisite care of the facades, shop windows and interior design.

In ZARA, design is understood as a process closely linked to the client through a continual flow of information arriving from our shops, which capture, process and transmit the worries and demands of customers to a team of more than 200 professionals.

This process, backed up by 25 manufacturing companies and advanced technologies, allows us to respond to the demands of the market by creating more than 11.000 different designs a year. ZARA knows how to move in step with society, dressing those ideas, trends and tastes that this society has been thinking out. That is the reason for its success among people, cultures and generations who, in spite of their differences, share the same longing for a fashion for everyone in which the designer and the client walk hand in hand. Customer service is also reflected in the care given to the shops. The idea is that the public will feel comfortable, enjoy the environment provided and appreciate the clothes on display. The shops are designed to create a special atmosphere that makes the client feel the pleasure of shopping.

PULL & BEAR

# Pull&Bear
## a lifestyle

at the end of FY1998,
and as a result of a continuous process of expansion, Pull & Bear has opened more than 200 shops in 9 countries.

The chain of fashion shops Pull & Bear was born in 1991, as a result of a strategy of market diversification begun by the Inditex Group. At that time, the public was demanding basic style fashion, influenced by international trends, a fashion which could also adapt quickly to their needs respecting three basic premises: fashion, price and quality. This is the combination that Pull & Bear offers to its clients as a higher added value.

The Pull & Bear design team carries out rigorous research into fashion trends, fabrics design and the design of collection. The development and quality control of the samples result in the creation of new designs each season.

Pull & Bear has known how to respond to its clients' demands and has continued evolving and growing in order to satisfy their new requirements: more sophisticated garments, more casual and urban fashion, a concept that enters strongly into fashion trends influenced by the technological advances in casual wear. A simple and pure appearance without superfluous elements (XDYE brand), womens' fashion, perfumery products, accessories and even a range for home decoration (P&B Decoration), maintaining the highest standards of quality and the best prices. The philosophy of the business is very clear: the Pull & Bear shops offer what the client wants to buy at every moment.

Massimo Dutti

# functionality and design

Massimo Dutti was born in 1985 as a company dedicated to the commercialization of men's clothing and accessories. However, in June 1995, based on the success achieved by this format, it was decided to increase its offer and create the women's line Massimo Dutti Woman.

Massimo Dutti, has more than 150 shops located in nine countries. The success of the brand is the result of a universal design that crosses frontiers in order to connect with the urban, independent and cosmopolitan men and women of today.

Massimo Dutti makes it easier to interpret the different roles played by men and women in our society. It presents complete ranges, from the most urban style to casual wear, an expression of comfort and adaptability. Massimo Dutti garments adapt to any kind of situation, it just takes the right accessories. Handbags, sunglasses, scarfs, ties, shoes and an endless number of Massimo Dutti accessories which are at the service of the clients let them decide the image they want to present, from the most sober and practical for the day to the most sophisticated and elegant for the evening. Furthermore, a new line of home furnishing accessories has been introduced, “Detalles”.

Basic traditional styles, updated by new generation fabrics, but always practical, pleasant and of quality, discreet textures, 100% natural fabrics and innovative mixtures offer as a result an impeccable image with the guarantee of maximum comfort. A cared style which is coherent with the sobriety, elegance and minimalism that characterises the Massimo Dutti collections.

# sobriety,
# quality and confort

# Bershka

# more than a product an attitude

Bershka was born in April 1998 and represents a new concept both of shops and of fashion, maintaining the Group philosophy of keeping sensitive to the people's tastes and responding quickly to their demands.

In this, its first FY, Bershka has opened about 40 shops in Spain and Portugal. These shops represent the first step in its expansion project.

Bershka shops are big, spacious and with the wish to be a meeting point for fashion, music and street art. At the entrance, the logo “meeting point”, taken from airports, stress the intention of creating ultra modern environments where young people can feel in their own space. Big pictures on the walls, advertising photos so enlarged as to seem to be wall paper, as well original graffiti on uncovered walls of brick, metal or design. You can watch videos, listen to the latest CDs , buy drinks, read magazines... It is a store where the experience of buying fashion becomes a sociocultural immersion in the aesthetic of the “youth culture” of the end of the century.

# modern, urban and fun environment

More than a product it is an idea, an attitude. Stepping into a BERSHKA shop is like jumping deep into the urban, fun and ultra modern ambience with a unique look and affordable prices. There is also a big and ever changing range of shoes, bags, belts, sunglasses, watches, lipsticks, nail polish,... All of them with the radical BERSHKA style.

1998 annual figures

# Inditex Group

# 5. annual figures

ARTHUR ANDERSEN

Costa Rica, 5, 1.ª planta com
15004 La Coruña

Translation of a report and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 25). In the event of a discrepancy, the Spanish-language version prevails.

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. and Dependent Companies composing the Inditex Group, which consist of the consolidated balance sheet as of January 31, 1999, and the related consolidated statement of income and notes to consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the directors of the Controlling Company. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.

2. As required by Spanish corporate law, for comparison purposes the Controlling Company's directors present, in addition to the 1999 figures for each item in the consolidated balance sheet and the consolidated statements of income and of changes in financial position, the figures for 1998. Our opinion refers only to the 1999 consolidated financial statements. Our auditors' report dated May 4, 1998, on the 1998 consolidated financial statements contained an opinion qualified for one matter.

3. In our opinion, the 1999 consolidated financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of the Inditex Group as of January 31, 1999, and of the results of its operations and of the funds obtained and applied by it in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.

Arthur Andersen y Cía., S. Com.
Reg. Merc. Madrid, Tomo 3190, Libro 0, Folio 1,
Sec. 8, Hoja M-54414, Inscrip. 1.ª

Inscrita en el Registro Oficial de Auditores de Cuentas (ROAC)
Inscrita en el Registro de Economistas Auditores (REA)

**Domicilio Social:**
Raimundo Fdez. Villaverde, 65. 28003 Madrid
Código de Identificación Fiscal D-79104469

4. The accompanying consolidated management report for 1999 contains the explanations which the directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 1999. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the consolidated Companies' accounting records.

ARTHUR ANDERSEN

Rafael Abella

May 3, 1999

# Inditex Group

## consolidated financial statements

( FYE January 31st, 1999 )

CONSOLIDATED BALANCE SHEETS AS OF JANUARY 31, 1999 AND 1998 (Currency - Millions of Spanish Pesetas)

| ASSETS | | 1999 | 1998 |
|---|---|---|---|
| B) | FIXED AND OTHER NONCURRENT ASSETS | | |
| | *I. Start-up expenses (note 5)* | *88* | *33* |
| | *II. Intangible assets (note 6)* | *35,751* | *23,843* |
| | 1. Intangible assets and rights | 46,949 | 29,253 |
| | 2. Accumulated amortization | (11,190) | (5,177) |
| | 3. Provisions | (8) | (233) |
| | *III. Tangible fixed assets (note 7)* | *111,587* | *82,577* |
| | 1. Land and structures | 50,333 | 39,421 |
| | 2. Technical installations and machinery | 77,264 | 61,343 |
| | 3. Other tangible fixed assets | 12,527 | 9,907 |
| | 4. Advances and construction in progress | 12,446 | 3,863 |
| | 5. Accumulated depreciation | (40,589) | (31,680) |
| | 6. Provisions | (394) | (277) |
| | *IV. Long-term financial investments (note 8)* | *4,658* | *4,706* |
| | 1. Holdings in companies carried by the equity method | 1,509 | 1,593 |
| | 2. Long-term investment securities | 563 | 527 |
| | 3. Other loans | 2,586 | 2,586 |
| | *V. Shares of the Controlling Company* | *180* | *180* |
| | TOTAL B | 152,264 | 111,339 |
| C) | GOODWILL IN CONSOLIDATION (note 9) | | |
| | 1. Companies consolidated by the global integration method | 194 | 286 |
| | TOTAL C | 194 | 286 |
| D) | DEFERRED CHARGES (note 10) | 3,089 | 5,384 |
| | TOTAL D | 3,089 | 5,384 |
| E) | CURRENT ASSETS | | |
| | *II. Inventories (note 11)* | *26,230* | *17,005* |
| | *III. Accounts receivable* | *12,484* | *5,008* |
| | 1. Customer receivables for sales and services | 7,001 | 2,560 |
| | 2. Other accounts receivable | 5,795 | 2,788 |
| | 3. Provisions | (312) | (340) |
| | *IV. Short-term financial investments (note 12)* | *14,310* | *11,197* |
| | 1. Short-term investment securities | 12,494 | 10,052 |
| | 2. Other loans | 1,816 | 1,145 |
| | *VI. Cash* | *10,923* | *11,225* |
| | *VII. Accrual accounts* | *1,186* | *1,147* |
| | TOTAL E | 65,133 | 45,582 |
| | TOTAL ASSETS (B+C+D+E) | 220,680 | 162,591 |

The accompanying Notes 1 to 25 are an integral part of the consolidated balance sheet as of January 31, 1999.

| SHAREHOLDERS' EQUITY AND LIABILITIES | 1999 | 1998 |
|---|---|---|
| A) SHAREHOLDERS' EQUITY (note 14) | | |
| *I. Capital stock* | *15,400* | *15,400* |
| *III. Revaluation reserve* | *282* | *282* |
| *IV. Other reserves of the Controlling Company* | *35,633* | *26,345* |
| 1. Unrestricted reserves | 32,373 | 23,987 |
| 2. Restricted reserves | 3,260 | 2,358 |
| *V. Reserves at comp. cons. by the global or prop. integr. meth.* | *33,815* | *24,266* |
| *VI. Reserves at companies carried by the equity method* | *108* | *254* |
| *VII. Translation differences* | *1,322* | *2,090* |
| 1. Comp. consolidated by the global integration method | 1,322 | 2,090 |
| *VIII. Income attributable to the Controlling Company* | *25,480* | *19,532* |
| 1. Consolidated income for the year | 25,440 | 19,564 |
| 2. (Income) loss attributed to minority interests | 40 | (32) |
| TOTAL A | 112,040 | 88,169 |
| B) MINORITY INTERESTS (note 15) | 1,247 | 1,087 |
| TOTAL B | 1,247 | 1,087 |
| D) DEFERRED REVENUES (note 16) | | |
| 1. Capital subsidies | 17 | 190 |
| 2. Other deferred revenues | 315 | 151 |
| TOTAL D | 332 | 341 |
| E) PROVISIONS FOR CONTINGENCIES AND EXPENSES (note 17) | | |
| 1. Other provisions | 2,088 | 289 |
| TOTAL E | 2,088 | 289 |
| F) LONG-TERM DEBT | | |
| *II. Payable to credit entities (note 18)* | *28,050* | *24,218* |
| *III. Other accounts payable (note 19)* | *2,939* | *3,085* |
| TOTAL F | 30,989 | 27,303 |
| G) CURRENT LIABILITIES | | |
| *II. Payable to credit entities (note 18)* | *14,698* | *7,155* |
| *III. Payable to companies carried by the equity method (note 13)* | *226* | *135* |
| *IV. Trade accounts payable* | *35,870* | *21,816* |
| *V. Other nontrade payables (note 19)* | *23,177* | *16,281* |
| *VII. Accrual accounts* | *13* | *15* |
| TOTAL G | 73,984 | 45,402 |
| TOTAL SHAREHOLDERS' EQU. LIAB. (A+B+D+E+F+G) | 220,680 | 162,591 |

The accompanying Notes 1 to 25 are an integral part of the consolidated balance sheet as of January 31, 1999.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED JANUARY 31, 1999 AND 1998
(Currency - Millions of Spanish Pesetas)

| DEBIT | 1999 | 1998 |
|---|---|---|
| A) EXPENSES | | |
| 1. Purchases | 142,678 | 105,796 |
| 2. Personnel expenses | 42,268 | 30,725 |
| a) Wages, salaries, etc. | 33,193 | 24,233 |
| b) Employee wellfare expenses (note 21) | 9,075 | 6,492 |
| 3. Period depreciation and amortization | 13,295 | 10,117 |
| 4. Variation in operating provisions | 125 | 206 |
| 5. Other operating expenses | 47,338 | 30,555 |
| *I. OPERATING INCOME (B1+B2+B3+B4-A1-A2-A3-A4-A5)* | *40,889* | *32,077* |
| 6. Financial and similar expenses | 2,152 | 2,233 |
| 7. Exchange losses | 895 | 522 |
| *II. FINANCIAL INCOME* | *0* | *0* |
| 8. Share in losses of companies carried by the equity method | 7 | 1 |
| 9. Amortization of goodwill in consolidation | 92 | 33 |
| *III. INCOME FROM ORDINARY ACTIVITIES (AI-BII+B8-A9-A10)* | *39,851* | *31,299* |
| 10. Variation in intangible asset and tangible fixed asset provisions | 116 | 453 |
| 11. Losses on fixed assets | 1,194 | 686 |
| 12. Extraordinary expenses | 843 | 519 |
| 13. Prior years' expenses and losses | 171 | 355 |
| *IV. EXTRAORDINARY INCOME* | *0* | *0* |
| *V. CONSOLIDATED INCOME BEFORE TAXES (AIII-BIV)* | *38,100* | *29,583* |
| 14. Corporate income tax (note 20) | 12,179 | 9,646 |
| 15. Other taxes (note 20) | 481 | 373 |
| *VI. CONSOLIDATED INCOME FOR THE YEAR (AV-A14-A15)* | *25,440* | *19,564* |
| 16. Income attributed to minority interests | 0 | 32 |
| *VII. INCOME FOR THE YEAR ATTRIBUTED TO THE CONTROLLING COMPANY (AVI-A16)* | *25,480* | *19,532* |

The accompanying Notes 1 to 25 are an integral part of the 1999 consolidated statement of income.

| CREDIT | 1999 | 1998 |
|---|---|---|
| B) REVENUES | | |
| 1. Net revenues (note 21) | 268,665 | 202,565 |
| 2. Increase in finished product and work-in-process inventories | 8,343 | 2,097 |
| 3. Capitalized expenses of Group work on fixed assets | 9,456 | 4,621 |
| 4. Other operating revenues | 129 | 193 |
| *I. OPERATING LOSS* | *0* | *0* |
| 5. Income from shareholdings | 13 | 43 |
| 6. Other financial revenues | 1,038 | 909 |
| 7. Exchange gains | 998 | 991 |
| *II. FINANCIAL LOSS (B5+B6+B7-A6-A7)* | *998* | *812* |
| 8. Share in income of companies carried by the equity method | 59 | 68 |
| *III. LOSS ON ORDINARY ACTIVITIES* | *0* | *0* |
| 9. Gains on fixed asset disposals | 179 | 16 |
| 10. Capital subsidies transferred to income for the year | 21 | 1 |
| 11. Extraordinary revenues and income | 253 | 126 |
| 12. Prior years' revenues and income | 120 | 154 |
| *IV. EXTRAORDINARY LOSS (B9+B10+B11+B12-A10-A11-A12-A13)* | *1,751* | *1,716* |
| 13. Loss attributed to minority interests | 40 | 0 |

The accompanying Notes 1 to 25 are an integral part of the 1999 consolidated statement of income

## 1.- GROUP DESCRIPTION

Industria de Diseño Textil, S.A., (hereinafter Inditex) and its investees form a group comprising mainly companies engaging in textile manufacturing and marketing and footwear, over which Inditex exercises centralized management and applies policies and strategies at Group level.

The Group operates chains of stores, the names and number of operating stores of which as of January 31, 1999, were as follows:

Number of stores

| Store Chain | Own | Franchises | Total |
|---|---|---|---|
| Zara | 290 | 10 | 300 |
| Pull & Bear | 175 | 23 | 198 |
| Kiddy's Class | 45 | 0 | 45 |
| Bretto's | 8 | 0 | 8 |
| Massimo Dutti | 87 | 69 | 156 |
| Lefties | 2 | 0 | 2 |
| Bershka | 38 | 1 | 39 |
| Total | 645 | 103 | 748 |

The distribution, by country, of these stores as of January 31, 1999, was as follows:

| | Number of Stores | | |
|---|---|---|---|
| Country | Own | Franchises | Total |
| Spain | 466 | 23 | 489 |
| Portugal | 62 | 25 | 87 |
| France | 55 | 0 | 55 |
| Belgium | 13 | 4 | 17 |
| Greece | 17 | 0 | 17 |
| Great Britain | 1 | 0 | 1 |
| Sweden | 0 | 6 | 6 |
| Norway | 0 | 1 | 1 |
| Malta | 0 | 1 | 1 |
| Cyprus | 0 | 4 | 4 |
| Israel | 0 | 16 | 16 |
| Turkey | 0 | 3 | 3 |
| U.S. | 7 | 0 | 7 |
| Mexico | 18 | 7 | 25 |
| Japan | 1 | 9 | 10 |
| Argentina | 4 | 0 | 4 |
| Venezuela | 1 | 0 | 1 |
| Kuwait | 0 | 1 | 1 |
| Lebanon | 0 | 1 | 1 |
| Dubai | 0 | 1 | 1 |
| China | 0 | 1 | 1 |
| Total | 645 | 103 | 748 |

The Group offers its customers at the stores of all its chains of stores located in Spain the "Affinity" charge card, managed by a third-party finance entity, which assumes the risk of payment default.

The consolidated dependent, associated and multigroup companies in which Inditex has direct and indirect holdings are disclosed in Exhibit I.

## 2.- BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

a) True and fair view.

The accompanying consolidated financial statements as of January 31, 1999, which were prepared from the accounting records of Industria de Diseño Textil, S.A. and of the dependent companies composing the INDITEX GROUP, are presented in accordance with the Spanish National Chart of Accounts and, accordingly, they give a true and fair view of the Group's net worth, financial position and results of operations.

The individual and consolidated financial statements as of January 31, 1998, of Industria de Diseño Textil, S.A. and of the INDITEX GROUP, respectively, and the individual financial statements as of January 31, 1998, of each of the consolidated dependent and associated companies were approved by their respective Shareholders' Meetings within the legally stipulated periods; the financial statements as of January 31, 1999, of each of the consolidated companies, which were prepared by the directors of the respective Companies, will be submitted for approval by their respective Shareholders' Meetings, and it is considered that they will be approved without any changes.

The consolidated financial statements of the INDITEX GROUP will be submitted for approval by the Shareholders' Meeting of Inditex, and are also expected to be approved without any changes.

The individual financial statements of Inditex as of January 31, 1999, were prepared by its directors in a document separate from these consolidated financial statements, which will also be deposited with the Mercantile Register of La Coruña once they have been approved by the Company's Shareholders' Meeting.

b) Accounting policies.

The consolidated financial statements as of January 31, 1999, were prepared by applying the accounting principles and methods summarized in Note 4. All obligatory accounting principles with an effect on the Group's net worth, financial position and results of operations were applied in preparing them.

c) Consolidation principles.

The accompanying consolidated financial statements were prepared from the accounting records of Inditex and its investees in accordance with the Spanish National Chart of Accounts and consolidation regulations.

The consolidation was carried out as follows:

- The companies over which effective control is exercised were consolidated by the global integration method.
- The multigroup companies which are managed jointly with third parties were consolidated by the proportional integration method.

- The companies in which there is significant influence but not ownership of a majority of the voting rights or joint management with third parties are carried by the equity method.

The equity of minority interests in the net worth and results of operations of the consolidated dependent companies is presented under the "Minority Interests" and "(Income) Loss Attributed to Minority Interests" captions in the consolidated balance sheet and consolidated statement of income, respectively.

All material accounts receivable and payable, transactions and profits between the companies consolidated by the global integration method were eliminated in consolidation.

The accounts receivable and payable, revenues, expenses and income from operations with other Group companies of the companies consolidated by the proportional integration method were eliminated in consolidation in proportion to the ownership interest of Inditex in them.

In the case of investees whose accounting and valuation methods differed from those of the Controlling Company, where the effect thereof was material adjustments were made so as to present the consolidated financial statements on a uniform basis.

In accordance with standard practice in Spain, these consolidated financial statements do not include the tax effect of including the reserves of dependent companies abroad in the accounting records of the Parent Company, where applicable, since it is considered that reserves not taxed at source will not be transferred and because the consolidation process does not involve the distribution of reserves, since they are going to continue to be used as a source of self-financing by each of the consolidated companies.

d) Currency.

All the amounts in these consolidated financial statements are expressed in millions of Spanish pesetas.

e) Comparative information.

Scope of consolidation.

The following companies were included in the consolidated Group in 1999:

| | |
|---|---|
| Glencare, S.A. | Comdipunt, S.A. |
| Indipunt, S.A. | Zara Venezuela,S.A. |
| G. Zara Uruguay,S.A. | Zara Brasil, Lda. |
| Bershka Portugal Conf. Lda. | Bershka Hellas, S.A. |
| Massimo Dutti Hellas, S.A. | SCI Vastgoed General Lecrerc |
| Invercarpro, S.A. | Robustae |
| DBJ Conf., Lda. | Inditex Cogeneración , AIE |
| Zara Clothing, GMBH | |

Invercapro, S.A. and Robustae were acquired from third parties, whereas the other companies included in the scope of consolidation in 1999 were formed by the Group.

The Group increased its holding in Textil Rase, S.A. from 55.9% at 1998 year-end to 100% in 1999.

The net worth effect of these changes on the accompanying consolidated financial statements was not material.

The following Group companies changed their corporate names in 1999:

| Corporate Name as of January 31, 1998 | Corporate Name as of January 31, 1999 |
|---|---|
| Goasam, S.A. | Zara España, S.A. |
| New Wear, S.A. | Pull & Bear España, S.A. |
| Cuiss, S.A. | Brettos BRT España, S.A. |
| Urban Kid, S.A. | Kiddy's Class España, S.A. |
| Ivan, S.A. | Bershka BSK España, S.A. |
| Cotton Way, S.A. | Lefties España, S.A. |
| Zara International, Inc. | Zara USA, Inc. |
| Tacoma Confecçoes, Lda. | Pull & Bear Portugal Confecçoes, Lda. |
| Es Moda Confecçoes, Lda. | Kiddy's Class Portugal Confecçoes, Lda. |
| New Wear Hellas, S.A. | Pull & Bear Hellas, S.A. |

Reclassifications.

The amounts paid by the Group as access fees, which as of January 31, 1998, were recorded at their net book value of Ptas. 2,743 million under the "Deferred Charges" caption, were reclassified to the "Intangible Assets" caption, and their gross value was recorded under the "Intangible Assets and Rights" account and their related accumulated amortization under the "Accumulated Amortization" account in the aforementioned caption (see notes 6 and 10).

f) Working capital.

The Group's current liabilities exceed its current assets in the accompanying consolidated balance sheet as of January 31, 1999. This situation arose as a result of the Group's strong growth, with investments in new companies, in tangible fixed assets, in leased assets, in leasehold assignment rights and in access fees.

However, this situation shown in the consolidated balance sheet from a static viewpoint does not actually exist from a dynamic standpoint, since the Group collects its receivables much faster than it pays its payables. All the Group's transactions are carried out basically through its stores and are therefore collected in cash; accordingly, the Group's inventory turnover period is shorter than supplier payment periods.

Accordingly, there have never been cash shortages at any of the Group companies in meeting their payment commitments within the contractually stipulated periods. As indicated in Note 18, as of January 31, 1999, the Group had undrawn credit facilities of approximately Ptas. 20,950 million.

## 3.- DISTRIBUTION OF THE INCOME OF THE CONTROLLING COMPANY

The Company's directors propose that Ptas. 1,000 million of the 1999 net income of Inditex be allocated to dividends and the remainder to legal and voluntary reserves.

## 4.- VALUATION STANDARDS

The main valuation methods applied in preparing the financial statements of the consolidated Group as of January 31, 1999, in accordance with the Spanish National Chart of Accounts, were as follows:

### a) Start-up expenses

Start-up expenses are valued at cost and are presented net of amortization, which is generally taken on a straight-line basis over five years.

### b) Intangible assets.

This balance of this asset caption in the accompanying consolidated balance sheet includes the following items:

- Administrative concessions: this account reflects the cost of obtaining the concession. Owing to the long duration of these concessions, the Group does not amortize any amount in this connection.
- Intellectual property: this account is charged for the amounts paid to acquire title to, or the right to use, such items, or for the expenses incurred in registering the proprietary rights developed by the Company, which are amortized on a straight-line basis over five years.
- Computer software: this is valued at cost and amortized on a straight-line basis over five years.
- Rights on leased assets: the finance lease contracts of all the consolidated companies are recorded as intangible assets at the cash value of the asset, revalued, where appropriate, pursuant to Royal Decree-Law

7/1996 (see Notes 6 and 14), and the total debt for lease payments plus the amount of the purchase option, the net revaluation reserve and the tax payable as a result of the revaluation are recorded as a liability. The difference between the two amounts, which represents the interest expense on the transaction, is recorded as a deferred expense and is allocated to income each year by the interest method. The rights recorded as intangible assets are amortized over the useful life of the related asset, as explained in section c) below. The value of the recorded rights and their related accumulated amortization are retired from these accounts and included in tangible fixed assets when the purchase option is exercised.

- Leasehold assignment rights: these are recorded at the amounts paid for their acquisition and are amortized on a straight-line basis over ten years, unless the contract term is shorter.

  Also included under this caption are the access fees: These amounts are generally allocated to income on a straight-line basis over the term of the related contracts. However, in 1997, although the expectations of future income at the investees did not give rise to any doubts as to the recovery of the access fees paid in 1997 and in previous years, the Group adopted an extremely prudent approach and decided to write off an additional amount, only at consolidated level, of approximately Ptas. 3,709 million, and this amount is recorded under the "Extraordinary Expenses" caption in the 1997 consolidated statement of income.

  In the year the Group reevaluated the need for the aforementioned consolidated provision and decreased it by Ptas. 1,200 million.

  Also included under this caption are the amounts paid by the Group companies located in France as consideration for the acquisition of the right to operate stores in leased premises. Although this right is legally protected under French legislation and is, in principle, of a perpetual nature, in accordance with the accounting principle of prudence, the directors have decided to amortize these assets on a straight-line basis over ten years.

c) Tangible fixed assets.

The tangible fixed assets of certain consolidated companies are carried at cost revalued pursuant to the applicable enabling legislation, including Royal Decree-Law 7/1996 (see Notes 7 and 14). The tangible fixed assets of the other companies are stated at cost, which includes the additional expenses incurred until the assets come into operating condition, excluding financial expenses.

The costs of expansion, modernization or improvements leading to an increase in productivity, capacity or efficiency or to a lengthening of the useful life of the assets are capitalized.

Period upkeep and maintenance expenses are expensed currently.

Tangible fixed assets are depreciated by the straight-line method at annual rates based on the following years of estimated useful life:

| Description | Years of Estimated Useful Life |
|---|---|
| Structures | 25 to 50 |
| Thechnical installations | 8 to 13 |
| Machinery | 8 to 10 |
| Tools | 4 to 8 |
| Furniture | 7 to 10 |
| Computer hardware | 4 to 8 |
| Transport equipment | 3 to 8 |
| Other tangible fixed assets | 4 to 10 |

The surpluses or increases in value resulting from revaluations are depreciated over the tax periods in the remaining useful lives of the revalued assets.

d) Marketable securities and other similar financial investiments.

Marketable security investments not consolidated by the global or proportional integration method (see Exhibit I) but which represent holdings of more than 20% are carried by the equity method, i.e. at the underlying book value of the holding per the latest available balance sheet of the investee.

Marketable securities representing holdings of less than 20% or not included in consolidation are valued at the lower of cost or underlying book value per the latest available balance sheet of the investee through the recording of the related provisions.

The unrealized gains disclosed at the time of the acquisition and still existing at the date of subsequent valuation are taken into account in calculating the underlying book value.

e) Shares of the Controlling Company.

These relate in full to shares acquired by the Parent Company (Inditex) and are stated at the lower of cost, represented by the total amount paid for acquisition plus the expenses inherent to the transaction, or the related underlying book value adjusted by the amount of the unrealized gains disclosed at the time of the acquisition and still existing at the date of subsequent valuation.

f) Goodwill in consolidation.

This caption in the accompanying consolidated balance sheet reflects the unamortized differences in consolidation arising from the acquisition of dependent companies consolidated or carried by the equity method, as appropriate, which are expected to be recovered through the income reported by these investees in the future.

These differences are generally amortized on a straight-line basis over five years. However, in 1996 the Group adopted an extremely prudent approach and decided to write off substantially all the goodwill with a charge to 1996 income. Had the Group applied the general method of amortizing the goodwill on a straight-line basis over five years, its reserves as of January 31, 1999, would have been approximately Ptas. 960 million higher, and income for the year would have been approximately Ptas. 310 million lower, than the figures disclosed in the accompanying consolidated balance sheet.

g) Translation of the financial statements of foreign consolidated companies.

The assets and liabilities in the financial statements of the foreign consolidated companies were translated to pesetas at the exchange rates ruling at year-end. The equity accounts were translated at historical exchange rates, and income statement items at the average 1999 exchange rates.

The balance sheet and income statement items of companies located in high-inflation countries (mainly, Mexico and Venezuela) were adjusted, before being translated to pesetas, by the effect of changes in prices, in accordance with the regulations established for this purpose in the countries concerned.

The exchange gains or losses arising from application of the aforementioned method are reflected under the "Shareholders' Equity - Translation Differences" caption in the accompanying consolidated balance sheet (see note 14).

h) Deferred charges.

The balance of this caption in the accompanying consolidated balance sheet comprises the following items:

- Differences between the face value of debts and the amount received, which are charged to income by the interest method.
- Fixed asset acquisition expenses, which are recorded by the amounts incurred and allocated to income on a straight-line basis over ten years.

i) Inventories.

Inventories are valued at acquisition price or production cost (materials, labor and manufacturing expenses). If the market value is lower than the acquisition price or production cost and the diminution in value is considered to be reversible, the carrying value is adjusted by recording the related allowance. The market value is determined as follows:

- Commercial inventories, raw materials and supplies: lower of replacement cost or net realizable value.
- Finished products: realizable value, net of the related marketing expenses.
- Work-in-process and semifinished products: realizable value of the related finished products, net of total unincurred manufacturing costs and marketing expenses.

The method for calculating the acquisition price varies depending on the type of goods. Basically, FIFO is used for fabrics and other textile supplies, averaje price for replacement parts, and the specific identification method for new and used vehicles.

Obsolete, defective and slow-moving inventories have been reduced to realizable value.

j) Provisions for contingencies and expenses.

The INDITEX GROUP records provisions for the estimated amount required for probable or certain third-party liability arising from litigation in progress or from outstanding indemnity payments or obligations of undetermined amount, for collateral and other similar guarantees provided by the Group, and for other contingencies of any other kind that might arise as a result of the Group's activities. These provisions are recorded when the contingency or obligation giving rise to the indemnity or payment arises (see note 17).

Under the applicable collective labor agreements, certain Group companies are required to make retirement bonus payments. This obligation is generally recorded as an expense when the related payments are made, since it is considered that the possible liability in this connection would not be material with respect to the financial statements taken as a whole.

k) Debts.

Debts are recorded at face value and the difference between the face value and the amount received is recorded on the asset side of the balance sheet as deferred charges and charged to period income on an accrual basis by the interest method.

In the accompanying consolidated balance sheet and in accordance with the Spanish National Chart of Accounts, debts maturing in under 12 months are classified as current liabilities and those maturing at over 12 months as long-term debt.

l) Capital subsidies.

Nonrefundable capital subsidies are recorded under the "Deferred Revenues" caption on the liability side of the accompanying consolidated balance sheet at the amount granted and are allocated to income on a straight-line basis over the years of estimated useful life of the subsidized assets.

m) Foreign currency transactions.

Foreign currency on hand and receivables and payables denominated in foreign currencies are translated to pesetas at the exchange rates ruling at the transaction date, and are adjusted at year-end to the exchange rates then prevailing.

Exchange differences on the foreign currency held by the Companies are charged or credited, as appropriate, to income for the year.

Exchange differences arising on adjustment of foreign currency payables and receivables to year-end exchange rates are classified by due date and currency. For this purpose, the currencies which, although different, are officially convertible and perform similarly in the market are grouped together.

The positive net differences in each group are recorded under the "Deferred Revenues" caption on the liability side of the consolidated balance sheet, unless exchange losses in a given group have been charged to income in prior years, in which case the positive differences are credited to period income up to the limit of the net negative differences charged to income in prior years or unless they arise from the conversion of currencies of EMU countries, in which case, since a fixed and irreversible conversion set rate was set for these currencies on December 31, 1998, the possible positive net differences were credited to income for the year.

The negative differences in each group are charged to income.

The positive differences deferred in prior years are credited to income in the year in which the related accounts receivable and payable fall due, or as negative exchange differences for the same or a higher amount are recognized in each homogeneous group.

n) Recognition of revenues and expenses.

Revenues and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principle of prudence, the companies only record realized income at year-end, whereas foreseeable contingencies and losses, including possible losses, are recorded as soon as they become known.

ñ) Corporate income tax.

The expense for corporate income tax of each year is calculated on the basis of the book income before taxes of each company in the Inditex Group, increased or decreased, as appropriate, by the permanent differences from taxable income.

Tax relief and tax credits taken in the year are treated as a reduction in the corporate income tax expense for that year.

o) Termination indemnities.

Under current Spanish labor legislation, the companies are required to make indemnity payments to employees terminated under certain conditions. No provision has been recorded for this possible liability since the Controlling Company's directors do not anticipate any significant terminations in the future.

p) Off-balance sheet transaction.

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

The theoretical close of these transactions as of January 31, 1999, did not disclose any losses that had to be recorded in the Group's accounting records.

## 5.- START-UP EXPENSES

The variations in 1999 in the accounts composing this caption in the accompanying consolidated balance sheet were as follows:

| Description | Balance at 02.01.98 | Additions | Reductions | Transfers | Writedowns | Balance at 01.31.99 |
|---|---|---|---|---|---|---|
| Incorporation expenses | 1 | 69 | 0 | 0 | 17 | 53 |
| Pre-opening expenses | 31 | 17 | 0 | 2 | 17 | 33 |
| Capital increase expenses | 1 | 1 | 0 | 0 | 0 | 2 |
| Total | 33 | 87 | 0 | 2 | 34 | 88 |

## 6.- INTANGIBLE ASSETS

The detail of the balance of the "Intangible Assets" caption in the accompanying consolidated balance sheet and of the variations therein in 1999 is as follows:

| Intangible Assets | Balance at 02.01.98 | Additions | Reductions | Transfers (note 2.e) | Balance at 01.31.99 |
|---|---|---|---|---|---|
| Administrative concessions | 3 | 0 | 0 | 1 | 4 |
| Intellectual property | 1,064 | 131 | 0 | (1) | 1,194 |
| Computer software | 220 | 33 | 0 | 0 | 253 |
| Leasehold assignment rights | 8,794 | 7,192 | 124 | 7,612 | 23,474 |
| Rights on leased assets | 18,888 | 3,357 | 11 | (375) | 21,859 |

| | | | | | |
|---|---|---|---|---|---|
| Advances and other intangible assets | 284 | 152 | 71 | (200) | 165 |
| Total | 29,253 | 10,865 | 206 | 7,037 | 46,949 |

| Accumulated Amortization | Balance at 02.01.98 | Additions | Decreases | Transfers (notes 2.e & 4.b) | Balance at 01.31.99 |
|---|---|---|---|---|---|
| Intellectual property | 326 | 219 | 0 | 0 | 545 |
| Computer software | 154 | 44 | 0 | 0 | 198 |
| Leasehold assignments rights | 2,395 | 1,444 | 126 | 3,695 | 7,408 |
| Rights on leased assets | 2,300 | 812 | 2 | (74) | 3,036 |
| Advances and other intangible assets | 2 | 1 | 0 | 0 | 3 |
| Total | 5,177 | 2,520 | 128 | 3,621 | 11,190 |

The "Transfers" column includes additions relating mainly to translation differences at foreign dependent companies and to the reclassification of access fees (see Note 2-e), and reductions relating mainly to lease contracts which expired during the year and were transferred to tangible fixed assets.

Certain Group companies revalued their leased assets pursuant to Royal Decree-Law 7/1996. The revaluation surplus amounted to Ptas. 843 million and increased the 1999 intangible asset amortization charge by Ptas. 15 million. The revaluation is expected to increase the 2000 intangible asset amortization charge by Ptas. 15 million. The net accumulated surpluses as of January 31, 1999, arising from the revaluations made pursuant to Royal Decree-Law 7/1996, taking into account the retirements and transfers made in 1999 and prior years, amounted to Ptas. 740 million.

Ptas. 225 million of provisions recorded in prior years were released in 1999.

As of January 31, 1999, there were intangible assets not directly assigned to operations for a net amount of Ptas. 528 million.

The lease contracts in force as of January 31, 1999, are detailed in EXHIBIT II.

## 7.- TANGIBLE FIXED ASSETS

The detail of the balance of the "Tangible Fixed Assets" caption in the accompanying consolidated balance sheet and of the variations therein in 1999 is as follows:

| Tangible Fixed Assets | Balance at 02.01.98 | Additions | Additions Due to Transfer | Reductions | Reductions Due to Transfer | Balance at 01.31.99 |
|---|---|---|---|---|---|---|
| Land and structures | 39,421 | 10,427 | 1,424 | 252 | 687 | 50,333 |
| Technical installations | 56,201 | 12,229 | 5,331 | 2,244 | 319 | 71,198 |
| Machinery | 5,142 | 1,241 | 267 | 496 | 88 | 6,066 |
| Tools | 84 | 9 | 0 | 0 | 1 | 92 |
| Furniture | 4,685 | 2,392 | 52 | 88 | 304 | 6,737 |
| Computer hardware | 1,751 | 542 | 44 | 66 | 23 | 2,248 |
| Transport equipment | 3,060 | 106 | 0 | 70 | 2 | 3,094 |
| Other tangible fixed assets | 327 | 53 | 1 | 12 | 13 | 356 |
| Advances and const. in progress | 3,863 | 15,642 | 19 | 298 | 6,780 | 2,446 |
| Total | 114,534 | 42,641 | 7,138 | 3,526 | 8,217 | 152,570 |

| Accumulated Depreciation | Balance at 02.01.98 | Additions | Additions Due to Transfer | Reductions | Reductions Due to Transfer | Balance at 01.31.99 |
|---|---|---|---|---|---|---|
| Structures | 5,427 | 1,626 | 15 | 65 | 4 | 6,999 |
| Installations | 18,730 | 6,315 | 23 | 1,132 | 136 | 23,800 |
| Machinery | 2,668 | 1,078 | 42 | 292 | 0 | 3,496 |
| Tools | 48 | 13 | 0 | 0 | 0 | 61 |
| Furniture | 1,574 | 753 | 15 | 26 | 51 | 2,265 |
| Computer hardware | 1,120 | 337 | 32 | 57 | 12 | 1,420 |
| Transport equipment | 2,011 | 435 | 0 | 25 | 1 | 2,420 |
| Other tangible fixed assets | 102 | 36 | 0 | 7 | 3 | 128 |
| Total | 31,680 | 10,593 | 127 | 1,604 | 207 | 40,589 |

The "Additions" column in the tangible fixed asset cost table includes the effect of including Invercarpro, S.A. and Robustae in consolidation, amounting to Ptas. 4,200 million of land and structures.

The other additions in the "Land and Structures" and "Technical Installations" captions relate mainly to the purchase of commercial premises to be operated by the marketing companies in the INDITEX GROUP and to the refurbishing work and improvements at the premises where the Group companies' stores are located, respectively.

The amounts included in the "Advances and Construction in Progress" caption relate basically to advances for the purchase or performance of refurbishing work and improvements at both the Group companies' stores and warehouses.

The "Additions Due to Transfer" relate to the cost of lease contracts which expired during each year and to transfers from construction in progress and advances. The "Reduction Due to Transfer" include the effect of translation differences at foreign dependent companies.

An allowance of Ptas. 116 million for impairment of value of tangible fixed assets was recorded in 1999 to cover possible losses arising from changes and improvements to the functional structure.

On January 31, 1997, certain Group companies revalued their tangible fixed assets pursuant to Royal Decree-Law 7/1996.

The revaluation surpluses were as follows:

| Description | Surplus |
|---|---|
| Land and estructures | 2,650 |
| Technical installations | 1,973 |
| Machinery | 41 |
| Tools | 2 |
| Furniture | 26 |
| Transport equipment | 230 |
| Computer hardware | 19 |
| Other tangible fixed assets | 2 |
| Total | 4,943 |

The effects of the revaluation on the 1999 depreciation charge and on the income for 2000 amount to approximately Ptas. 430 million and Ptas. 373 million, respectively.

The net accumulated surpluses as of January 31, 1999, arising from the revaluation made pursuant to Royal Decree-Law 7/1996, taking into account the retirements made both in 1999 and in prior years, and the transfers from intangible assets, amounted to Ptas. 2,972 million.

As of January 31, 1999, the net book value of the tangible fixed assets outside Spain, which consisted mainly of the commercial premises, furniture and installations relating to the open stores, amounted to Ptas. 43,311 million.

The gross cost of the Group's tangible fixed assets which had been fully depreciated as of January 31, 1999, is as follows:

| Description | Cost |
|---|---|
| Structures | 47 |
| Thechnical Installations | 1,598 |
| Machinery | 1,420 |
| Tools | 27 |
| Furniture | 126 |
| Computer hardware | 662 |
| Transport equipment | 74 |
| Other tangible fixed assets | 26 |
| Total | 3,980 |

As of January 31, 1999, the Group's tangible fixed assets, mainly relating to "Land and Structures", on which there were liens and encumbrances amounted to approximately Ptas. 3,016 million (net).

As of January 31, 1999, there were asset items not directly assigned to operations amounting to approximately Ptas. 142 million (net).

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

## 8.- LONG-TERM FINANCIAL INVESTMENTS

The detail of the "Holdings in Companies Carried by the Equity Method" caption in the consolidated balance sheet and of the variations therein in 1999 is as follows:

| Holdings in Companies Carried by the Equity Method | Balance at 02.01.98 | Investment or Inclusion | Income of Co. Carr.by the Eq. Me. Addition | Reduction | Other Variations | Balance at 01.31.99 |
|---|---|---|---|---|---|---|
| Alvarez Conchado, S.A. | 134 | 0 | 3 | 0 | (31) | 106 |
| Alvarez Conchado y Zamora, S.A. | 4 | 0 | 0 | 0 | 0 | 4 |
| Fibracolor, S.A. | 1,073 | 0 | 38 | 0 | 0 | 1,111 |
| Superficies Comerciales, S.A. | 16 | 0 | 7 | 0 | (2) | 21 |
| Superco Vigo, S.A. | 141 | 0 | 11 | 0 | (70) | 82 |
| Superco Coruña, S.A. | 217 | 0 | 0 | 7 | (34) | 176 |
| Fibracolor Decoración, S.A. | 4 | 0 | 0 | 0 | 0 | 4 |
| Franquicias Camelias, S. A. | 4 | 0 | 0 | 0 | 1 | 5 |
| Total | 1,593 | 0 | 59 | 7 | (136) | 1,509 |

The "Other Variations" column relates basically to the distribution of dividends by the companies carried by the equity method.

The detail of the balance of the Group's long-term investment securities portfolio is as follows:

| Long-Term Invest. Sec. Portfolio | Balance at 01.31.99 |
|---|---|
| Banco Gallego, S.A. | 474 |
| Fondos Galicia Uno, S.A. | 25 |
| Fimoga, S.A. | 8 |
| Other | 56 |
| Total | 563 |

The detail of the balances of, and variations in, the remaining consolidated long-term financial investment accounts is as follows:

| Description | Balance at 02.01.98 | Additions | Reductions | Transfers to Short Term | Balance at 01.31.99 |
|---|---|---|---|---|---|
| Other loans | 1,269 | 38 | 270 | (65) | 972 |
| Long-term guarantees and deposits | 1,317 | 441 | 144 | 0 | 1,614 |
| Total | 2,586 | 479 | 414 | (65) | 2,586 |

## 9.- GOODWILL IN CONSOLIDATION

The variations in 1999 in the balance of this caption on the asset side of the accompanying consolidated balance sheet were as follows:

| Subsidiary | Balance at 02.01.98 | Additions | Other Variations | Amortization | Balance at 01.31.99 |
|---|---|---|---|---|---|
| Trisko, S.A. | 20 | 0 | 0 | 20 | 0 |
| Nosopunto, S.L. | 249 | 0 | 0 | 55 | 194 |
| Jema Creaciones Infantiles, S.L. | 17 | 0 | 0 | 17 | 0 |
| Total | 286 | 0 | 0 | 92 | 194 |

## 10.- DEFERRED CHARGES

The detail of the balance of this caption in the accompanying consolidated balance sheet and of the variations therein in 1999 is as follows:

| Description | Balance at 02.01.98 | Additions | Transfers (note 2.e) | Reductions | Writedowns | Balance at 01.31.99 |
|---|---|---|---|---|---|---|
| Deferred interest on lease transactions | 2,569 | 1,013 | (639) | 616 | 289 | 2,038 |
| Access fees | 2,743 | 0 | (2,743) | 0 | 0 | 0 |
| Fixed asset acquisition and other expenses | 72 | 980 | 176 | 29 | 148 | 1,051 |
| Total | 5,384 | 1,993 | (3,206) | 645 | 437 | 3,089 |

The "Transfers" column includes deferred financial expenses on lease transactions maturing at short term which were reclassified, in certain Group companies, to the "Accrual Accounts" caption on the asset side of the accompanying consolidated balance sheet.

The decrease in the "Deferred Interest on Lease Transactions" caption relates to interest rate revisions made by several leasing companies.

The writedowns of deferred interest on lease transactions were recorded as financial expenses in the accompanying consolidated statement of income. The writedowns of fixed asset acquisition expenses were recorded as "Period Depreciation and Amortization".

## 11.- INVENTORIES

The breakdown of inventories at consolidated level as of January 31, 1999, is as follows:

| Description | Balance at 01.31.99 |
|---|---|
| Commercial inventories | 499 |
| Raw materials | 5,212 |
| Other supplies | 631 |
| Work-in-process and semifinished prod. | 2,256 |
| Finished products | 16,737 |
| Housing development | 1,092 |
| Provisions | (359) |
| Advances to suppliers | 162 |
| Total | 26,230 |

The INDITEX GROUP takes out insurance policies to cover the potential risks to which its inventories are subject.

## 12.- SHORT-TERM FINANCIAL INVESTMENTS

The detail of "Other Loans" and "Short-Term Investment Securities" as of January 31, 1999, is as follows:

| Other Short-Term Loans | Balance at 01.31.99 |
|---|---|
| Loans and credits to related companies | 44 |
| Foreing currency time deposits | 1,499 |
| Other | 273 |
| Total | 1,816 |

| Short-Term Investment Securities | Balance at 01.31.99 |
|---|---|
| Mutual funds, Treasury bills and other | 12,494 |

## 13.- BALANCES WITH MULTIGROUP, ASSOCIATED AND RELATED COMPANIES

The detail, at consolidated level, of the accounts receivable from and payable to companies carried by the equity method and other related companies is as follows:

| Company | Receivable | Payable |
|---|---|---|
| Companies consolid. by the prop.l integr. method | 35 | 85 |
| Companies carried by the equity method | 0 | 226 |
| Other related companies | 866 | 43 |
| Total | 902 | 354 |

The accounts receivable from other related companies are recorded basically under the "Short-Term Financial Investments - Other Loans" and "Long-Term Financial Investments - Other Loans" captions, while the accounts payable to them are recorded under the "Trade Accounts Payable" and "Other Nontrade Payables" captions in the accompanying consolidated balance sheet.

The "Accounts Receivable - Other Accounts Receivable" caption in the consolidated balance sheet includes Ptas. 150 million relating to accounts receivable from the directors.

## 14.- SHAREHOLDERS' EQUITY

The variations in 1999 in equity accounts in the consolidated balance sheet were as follows:

| Description | Balance at 02.01.98 | 1998 Income | Other | Transfers | Dividends | Balance at 0131.99 |
|---|---|---|---|---|---|---|
| Other reserves of the Controlling Company | 26,345 | 2,572 | 0 | 648 | 6,068 | 35,633 |
| Revaluation reserves | 282 | 0 | 0 | 0 | 0 | 282 |
| Reserves at companies consolid. by the global or proportional integration method | 24,266 | 16,893 | 158 | (535) | (6,967) | 33,815 |
| Reserves at com. carried by the equity meth. | 254 | 67 | 1 | (113) | (101) | 108 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Translation differences | 2,090 | 0 | (768) | 0 | 0 | 1,322 |
| Total | 53,237 | 19,532 | (609) | 0 | (1,000) | 71,160 |

The criteria used to allocate the consolidation adjustments to the consolidated companies were reassessed this year giving rise to transfers between the reserves which these companies contribute to consolidated net worth.

The detail of the "Reserves at Companies Consolidated by the Global or Proportional Integration Method" and the "Translation Differences" captions as of January 31, 1999, is as follows:

| Company | Reserves at Co. Consol. by the Global or Proport. Integration Method | Translation Differences |
|---|---|---|
| Comditel, S.A. | 943 | 0 |
| Confecciones Fíos, S.A. | 344 | 0 |
| Confecciones Goa, S.A. | 193 | 0 |
| Denllo, S.A. | 628 | 0 |
| Hampton, S.A. | 414 | 0 |
| Kenner, S.A. | 170 | 0 |
| Kettering, S.A. | 801 | 0 |
| Samlor, S.A. | 391 | 0 |
| Trisko, S.A. | 386 | 0 |
| Zintura, S.A. | 462 | 0 |
| Tempe, S.A. | 610 | 0 |
| Brettos BRT España, S.A. | 801 | 0 |
| Zara España, S.A. | 15,667 | 0 |
| Pull & Bear España, S.A. | 1,676 | 0 |
| Kiddy's Class España, S.A. | 1,122 | 0 |
| Arrojo, S.A. | (344) | 0 |
| Goa-Invest, S.A. | (384) | 0 |
| Zara USA Inc. | (591) | 130 |
| Zara France, S.A.R.L. | 115 | 111 |
| Zara Hellas, S.A. | 1,694 | (76) |
| Zara Mexico, S.A. de CV | 42 | 279 |
| Pull & Bear Portugal Confecçoes, Lda. | 789 | 9 |
| Zara Portugal Confecçoes Lda. | 6,150 | 198 |
| Zara Belgique, S.A. | 115 | 73 |
| Zara Holding, B.V. | 5,117 | 650 |
| Zara Financien, B.V. | (584) | (37) |

| | | |
|---|---|---|
| Zara Mexico, B.V. | 590 | (4) |
| Zara Merken, B.V. | 1,247 | (10) |
| Others | (429) | (1) |
| Other adjustments (notes 4.b and 4.f) | (4,320) | 0 |
| Total | 33,815 | 1,322 |

The detail, by company, of the "Reserves at Companies Carried by the Equity Method" caption as of January 31, 1999, is as follows:

| Reserves at Companies Carried by the Equity Method | Balance at 01.31.99 |
|---|---|
| Alvarez Conchado, S.A. | 104 |
| Alvarez Conchado y Zamora, S.A. | 2 |
| Fibracolor, S.A. | (41) |
| Superficies Comerciales, S.A. | 59 |
| Superco Vigo, S.A. | 33 |
| Superco Coruña, S.A. | (24) |
| Franquicias Camelias, S.A. | (10) |
| Gestión Camelias, S.A. | (15) |
| Total | 108 |

*Capital Stock*

As of January 31, 1999, INDITEX's capital stock consisted of 3,080,000 fully subscribed and paid shares of Ptas. 5,000 par value each.

As of January 31, 1999, the shareholder structure of INDITEX was as follows:

| Shareholder | % |
|---|---|
| Gartler, S.L. | 60% |
| Individuals | 39.88% |
| Treasury stock | 0.12% |
| Total | 100.00% |

Inditex owns 3,700 shares of treasury stock, representing 0.12% of capital stock, with a par value of Ptas. 18.5 million and a cash value of approximately Ptas. 180 million, for which the requisite restricted reserve has been recorded.

The directors of Inditex intend to sell these shares and do not anticipate that such sale will give rise to any loss.

*Legal reserve*

Under the revised Corporations Law, 10% of the income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of capital stock.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount.

Except as mentioned above, until the legal reserve exceeds 20% of capital stock, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Generally, the consolidated companies' legal reserves have reached legally the stipulated level.

*Revaluation reserves Royal Decree-Law 7/1996.*

From the date on which the tax authorities have reviewed and approved the balance of the "Revaluation Reserve Royal Decree-Law 7/1996" account (or the three-year period for review has expired), the aforementioned balance can be used, free of tax, to offset recorded losses (both prior years' accumulated losses and current year losses) or losses which might arise in the future, and to increase capital stock. From February 1, 2007 (ten years from the date of the balance sheet which reflected the revaluation transactions), the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or retired from the accounting records.

Also, if leased assets are revalued, the aforementioned use of the "Revaluation Reserve" balance may not take place before the purchase option has been exercised.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

## 15.- MINORITY INTERESTS

The variations in 1999 in this caption in the accompanying consolidated balance sheet were as follows:

| | Amount |
|---|---|
| Beginning balance | 1,087 |
| Allocation of 1999 income | (40) |
| Additions | 415 |
| Retirements | (215) |
| Ending Balance | 1,247 |

The detail, by company, as of January 31, 1999, is as follows:

| | Balances at January 31,1999 | | |
|---|---|---|---|
| Company | Capital Stock | Reserves | Income / (Loss) |
| Zara Portugal-Confeçcoes, Lda. | 2 | 51 | 19 |
| Zara Deutschland, G.M.B.H. | 415 | 0 | (56) |
| Zara Mexico, S.A.C.V. | 19 | (2) | 10 |
| Nosopunto, S.L. | 84 | 708 | (21) |
| Other | 4 | 6 | 8 |
| Total | 524 | 763 | (40) |

## 16.-DEFERRED REVENUES

The breakdown of the balance of this caption in the accompanying consolidated balance sheet as of January 31, 1999, is as follows:

| Description | Balance at 01.31.99 |
|---|---|
| Capital subsidies | 17 |
| Deferred interest | 224 |
| Exchange gains | 91 |
| Total | 332 |

In 1999 the consolidated companies recognized approximately Ptas. 21 million of subsidies in income under the "Capital Subsidies Transferred to Income for the Year" caption in the accompanying consolidated statement of income.

The amount reflected as "Deferred Interest" relates to the difference between the face value of the long-term loans granted (see Note 8) and their present value, implicit interest on long-term loans and other revenues accruing after year-end.

## 17.- PROVISIONS FOR CONTINGENCIES AND EXPENSES

The variations in 1999 in the balance of this caption in the accompanying consolidated balance sheet is as follows:

| Description | Balance at 02.01.98 | Provisions | Provisions Released | Provisions Used | Balance at 01.31.99 |
|---|---|---|---|---|---|
| Provision for pensions and similar obligations | 56 | 17 | 0 | 0 | 73 |
| Provision for third-party liability | 159 | 614 | 0 | 0 | 773 |
| Provision for major repairs | 0 | 1,200 | 0 | 0 | 1,200 |
| Other provisions | 74 | 0 | 0 | 32 | 42 |
| Total | 289 | 1,831 | 0 | 32 | 2,088 |

The provisions for third-party liability and major repairs relate to amounts recorded at the companies and used to cover risks arising from its usual operations and from future renovations at commercial premises, respectively.

## 18.- PAYABLE TO CREDIT ENTITIES

The detail of the INDITEX GROUP's debts to credit entities as of January 31, 1999, is as follows:

| Type of Debt | Limit | Balance at 01.31.99 |
|---|---|---|
| Peseta loans | | 2,984 |
| Foreign currency loans | | 13,278 |
| Credit facilities in pesetas | 18,406 | 2,116 |
| Credit facilit. in for. currencies | 11,751 | 7,091 |
| Lease transactions | | 16,917 |
| Other financial debts | | 362 |
| Total | 30,157 | 42,748 |

All these debts bear interest at the usual rates in the respective financial markets.

The detail of the maturities of the INDITEX GROUP's debt to credit entities as of January 31, 1999, is as follows:

| Debt Due By | Amount |
|---|---|
| January 31, 2000 | 14,698 |
| January 31, 2001 | 6,887 |
| January 31, 2002 | 5,920 |
| January 31, 2003 | 5,500 |
| After January 31, 2003 | 9,743 |
| Total | 42,748 |

Ptas. 150 million of the loans are secured by pledge on units in mutual funds.

## 19.-OTHER NONTRADE PAYABLES

The detail of the balances of the "Long-Term Debt - Other Accounts Payable" and "Current Liabilities - Other Nontrade Payables" captions as of January 31, 1999, is as follows:

| Long-Term Debt - Other Accounts Payable | Balance at 01.31.99 |
|---|---|
| Guarantees received | 8 |
| Fixed asset suppliers and other | 422 |
| Accrued taxes payable | 2,509 |
| Total | 2,939 |

| Current Liabilities - Other Nontrade Payables | Balance at 01.31.99 |
|---|---|
| Payable to public authorities | 14,540 |
| Compensation payable | 3,510 |
| Fixed asset suppliers | 4,359 |
| Other accounts payable | 768 |
| Total | 23,177 |

The balance of the "Payable to Public Authorities" caption includes deferred taxes, unpaid personal income tax withholdings, mainly relating to employees, VAT, social security taxes for the last month of the fiscal year and interest-free loans from the Ministry of Industry and Energy amounting to Ptas. 587 million (granted on December 31, 1997) maturing in 15 years, with a grace period of 5 years).

## 20.- TAX MATTERS

The consolidated companies file individual tax returns except for Inditex, which files consolidated tax returns as the Controlling Company of a subgroup comprising the following companies:

| | |
|---|---|
| Choolet, S.A. | Pull & Bear España, S.A. |
| Comditel, S.A. | Kiddy's Class España, S.A. |
| Denllo, S.A. | Brettos BRT España, S.A. |
| Confecciones Fíos, S.A. | Grupo Massimo Dutti, S.A. |
| Confecciones Goa, S.A. | Goa-Invest, S.A. |
| Hampton, S.A. | Arrojo, S.A. |
| Kenner, S.A. | Motorgal, S.A. |
| Nikole, S.A. | Lefties España, S.A. |
| Confecciones Noite, S.A. | Global-Wand, S.A. |
| Trisko, S.A. | Glencare, S.A. |
| Zintura, S.A. | Sircio, S.A. |
| Yeroli, S.A. | Zara, S.A. |
| Kettering, S.A. | Tugend, S.A. |
| Zara España, S.A. | Stear, S.A. |
| Bershka BSK España, S.A. | Contadino, S.A. |
| Lotisa, S.A. | Samlor, S.A. |
| Comdipunt, S.A. | |

The Spanish Group companies generally have the last four years open for review by the tax inspection authorities for all the taxes applicable to them, except for the companies which have undergone definitive tax audits, have been formed recently or have closed a fiscal year of less than 12 months.

The balance of the "Other Nontrade Payables - Payable to Public Authorities" caption in the accompanying consolidated balance sheet includes the liability for the applicable taxes, including the provision for 1999 corporate income tax, net of period withholdings and prepayments.

The 1999 corporate income tax was calculated on the basis of income per books determined by application of generally accepted accounting principles, which does not necessarily coincide with taxable income.

The reconciliation of the Group's 1999 income per books to the taxable income for corporate income tax purposes is as follows::

| | Amount |
|---|---|
| Income for the year per books | 25,480 |
| Corporate income tax due | 12,179 |
| Net permanent differences: | |
| Individual companies | 900 |
| Consolidation adjustments | 188 |
| Net timing differences: | |
| Individual companies | |
| Current year | (460) |
| Prior years | 1,117 |
| Offset of prior years' uncapitalized tax losses | (111) |
| Offset of prior years' capitalized tax losses | (161) |
| Taxable income | 39,132 |

With respect to the taxable income generated by the consolidated subgroup of which Inditex is the Controlling Company, the main difference arising from consolidation for tax purposes affecting Inditex is the elimination of the Ptas. 7,000 million of dividends received in 1999 from the subgroup.

The "Corporate Income Tax" caption in the accompanying consolidated statements of income includes the expenses of the foreign consolidated companies for taxes on income of a nature similar to that of the Spanish corporate income tax in foreign tax jurisdictions.

The Group recorded under the "Other Taxes" caption in the accompanying consolidated statement of income Ptas. 481 million relating to withholding taxes on income obtained abroad.

The companies have recorded the prepaid and deferred income taxes arising from timing differences in recognizing certain revenues and expenses for accounting and tax purposes. The cumulative amounts as of January 31, 1999, for the consolidated Group were as follows:

| Description | Prepaid Taxes | Deferred Taxes |
|---|---|---|
| Lease contracts | 0 | 943 |
| Accelerated depreciation R.D.L 3/1993 | 0 | 307 |
| Accelerated depreciation R.D.L. 2/1995 | 0 | 1,369 |
| Other | 126 | 846 |
| Total | 126 | 3,465 |

The companies comprising the consolidated Group have generally availed themselves of the tax credit benefits provided by current corporate income tax legislation. Although the companies have not yet filed their corporate income tax returns for 1999, the provision for corporate income tax in the accompanying consolidated financial statements is net of tax credits of Ptas. 3,738 million, of which approximately Ptas. 2,561 million relate to dividend double taxation tax credits taken by Inditex, and the remainder relate mainly to investment tax credits.

Because of the varying interpretations that can be made of the tax regulations applicable to the companies' operations, the outcome of future reviews by the tax inspection authorities might give rise to liabilities. The directors consider that any such liabilities would not materially affect the net worth of the consolidated Group.

## 21.- REVENUES AND EXPENSES

The detail of the transactions of the INDITEX GROUP in 1999 with companies carried by the equity method and other nonconsolidated related companies is as follows:

| | Purchases and Serv. Received | Sales and Serv. Rendered | Financial Revenues |
|---|---|---|---|
| Companies carried by the equit method | 788 | 25 | 0 |
| Other related companies | 870 | 0 | 40 |
| Total | 1,658 | 25 | 40 |

The detail of the Group's foreign currency transactions in 1999 is as follows:

| Application of funds | 1999 | 1998 | Source of funds | 1999 | 1998 |
|---|---|---|---|---|---|
| Start-up and debt arrangement expenses | 2,054 | 2,311 | From operations | 40,565 | 31,241 |
| Fixed asset additions | | | Contributions of minority shareholders and of shareholders of the controlling company | 415 | 829 |
| a) Intangible assets | 10,865 | 4,290 | Deferred revenues | 23 | 196 |
| b) Tangible fixed assets | 42,641 | 19,324 | Long-term debt | 11,043 | 0 |
| c) Long-term financial invest. | 515 | 792 | Fixed asset disposals | | |
| Decrease in reserves at companies consolidated by the glog. integr. method | 0 | 64 | a) Intangible assets | 119 | 116 |
| Dividends | | | b) Tangible fixed assets | 866 | 1,134 |
| a) Of the Controlling Company | 1,000 | 500 | c) Long-term financ. invest. | 550 | 105 |
| b) Of the Group Companies allocated to minority shareholders | 17 | 0 | | | |
| Acquisition of additional holdings in consolidated companies | 215 | 0 | | | |
| Repayment or transfer to short-term of long-term debt | 6,330 | 160 | | | |
| Provisions for contingencies and expenses | 32 | 19 | | | |
| Goodwill in consolidation | 0 | 319 | | | |
| Translation differences | (345) | (83) | | | |
| Total Funds Applied | 63,324 | 27,696 | Total Funds Obtained | 53,581 | 33,621 |
| Increase working capital | 0 | 5,925 | Decrease in working capital | 9,743 | 0 |

| Variation in Working Capital | 1999 Increase | 1999 Decrease | 1998 Increase | 1998 Decrease |
|---|---|---|---|---|
| Inventories | 8,890 | 0 | 3,310 | 0 |
| Accounts receivable | 7,587 | 0 | 416 | 0 |
| Accounts payable | 0 | 28,431 | 0 | 6,526 |
| Short-term financial investments | 3,113 | 0 | 1,792 | 0 |
| Cash | 0 | 302 | 6,707 | 0 |
| Accrual accounts | 0 | 600 | 226 | 0 |
| Total | 19,590 | 29,333 | 12,451 | 6,526 |
| Variation in working capital | 0 | 9,743 | 5,925 | 0 |

| Reconciliation of:<br>- Income for the year<br>- Funds from operations | 1999 | 1998 |
|---|---|---|
| Income for the year | 25,440 | 19,564 |
| *Add:* | | |
| - Period depreciation and amortization | 13,387 | 10,150 |
| - Deferred interest expenses | 289 | 860 |
| - Loss on sale of fixed assets | 1,015 | 670 |
| - Period provisions | 748 | 604 |
| - Share in losses of companies carried by the equity method | 7 | 1 |
| *Less:* | | |
| - Deferred revenues | 32 | 12 |
| - Equity in income of companies carried by the equity method | 59 | 68 |
| - Timing differences in corporated income tax | 230 | 528 |
| Funds from operations | 40,565 | 31,241 |

## 25.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries. Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

EXHIBIT I

COMPOSITION OF THE INDITEX GROUP

The detail of the dependent and associated companies included in consolidation is as follows:

| Investee | Percentage of Ownership | Country | Consolidation Method | Line of Business |
|---|---|---|---|---|
| Industria de Diseño Textil, S.A. | Parent Co. | Spain | Global int. | |
| Choolet, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Comditel, S.A. | 100% | Spain | Global int. | Fabric pchs. & proc. |
| Confecciones Fíos, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Confecciones Goa, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Confecciones Noite, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Contadino, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Denllo, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Hampton, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Jema Creaciones Infantiles, S.A. | 45.90% | Spain | Global int. | Textile manufacturing |
| Kenner, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Kettering, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Nikole, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Nosopunto, S.L. | 51.00% | Spain | Global int. | Textile manufacturing |
| Samlor, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Sircio, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Stear, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Textil Rase, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Trisko, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Tugend, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Yeroli, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Zintura, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Glencare, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Indipunt, S.A. | 51.00% | Spain | Global int. | Textile manufacturing |
| Comdipunt, S.A. | 100% | Spain | Global int. | Textile manufacturing |
| Todotinte, S.L. | 45.90% | Spain | Global int. | Dry cleaner |
| Tempe, S.A. | 50.00% | Spain | Propo. int | Footwear marketing |
| Lefties España, S,A, | 100% | Spain | Global int. | Textile marketing |
| Brettos BRT España, S.A. | 100% | Spain | Global int. | Textile marketing |
| Zara España, S.A. | 100% | Spain | Global int. | Textile marketing |
| Grupo Massimo Dutti, S.A. | 100% | Spain | Global int. | Textile marketing |
| Pull & Bear España, S.A. | 100% | Spain | Global int. | Textile marketing |
| Kiddy's Class España, S.A. | 100% | Spain | Global int. | Textile marketing |
| Bershka BSK España, S.A. | 100% | Spain | Global int. | Textile marketing |
| Lotisa, S.A. | 100% | Spain | Global int. | Textile marketing |

| Investee | Percentage of Ownership | Country | Consolidation Method | Line of Business |
|---|---|---|---|---|
| Zara Argentina, S.A. | 100% | Argentina | Global int. | Textile marketing |
| Vajo, N.V. | 100% | Belgium | Global int. | Textile marketing |
| Zara Belgique, S.A. | 100% | Belgium | Global int. | Textile marketing |
| Zara Chile | 100% | Chile | Global int. | Textile marketing |
| Zara USA Inc. | 100% | USA | Global int. | Textile marketing |
| Zara France, S.A.R.L. | 100% | France | Global int. | Textile marketing |
| Zara United Kingdom, Ltd. | 100% | U.K. | Global int. | Textile marketing |
| Pull & Bear Hellas, S.A. | 100% | Greece | Global int. | Textile marketing |
| Zara Hellas, S.A. | 100% | Greece | Global int. | Textile marketing |
| Massimo Dutti Hellas, S.A. | 100% | Greece | Global int. | Textile marketing |
| Zara Japan Corp. | 49.00% | Japan | Prop. int. | Textile marketing |
| Zara México, S.A.C.V. | 95.00% | Mexico | Global int. | Textile marketing |
| Kiddy's Class Portugal Conf., Lda. | 99.99% | Portugal | Global int. | Textile marketing |
| Pull & Bear Portugal Conf. Lda. | 99.99% | Portugal | Global int. | Textile marketing |
| Zara Portugal Confecçoes Lda. | 99.00% | Portugal | Global int. | Textile marketing |
| Bershka Portugal Conf., Lda. | 100% | Portugal | Global int. | Textile marketing |
| DBJ Portugal Conf., Lda. | 100% | Portugal | Global int. | Textile marketing |
| Zara Venezuela, S.A. | 100% | Venezuela | Global int. | Textile marketing |
| G. Zara Uruguay, S.A. | 100% | Uruguay | Global int. | Textile marketing |
| Zara Brasil, Lda. | 100% | Brazil | Global int. | Textile marketing |
| Zara Deutschland, G.M.B.H. | 51.00% | Germany | Global int. | Textile marketing |
| Global-Wand, S.A. | 100% | Spain | Global int. | Construction and real estate |
| Goa-Invest, S.A. | 100% | Spain | Global int. | Construction and real estate |
| Arrojo, S.A. | 100% | Spain | Global int. | Vehicle dealership |
| Motorgal, S.A. | 100% | Spain | Global int. | Vehicle dealership |
| Inditex Asia, Ltd. | 100% | Hong-Kong | Global int. | Buying center |
| Zalapa, B.V. | 100% | Netherlands | Global int. | Finance and portfolio comp. |
| Zara Asia, Ltd. | 100% | Hong-Kong | Global int. | Buying center |
| Zara Financien B.V. | 100% | Netherlands | Global int. | Finance |
| Zara Holding, B.V. | 100% | Netherlands | Global int. | Portfolio company |
| Massimo Dutti Holding, B.V. | 100% | Netherlands | Global int. | Portfolio company |
| Zara Italia, B.V. | 100% | Netherlands | Global int. | Finance and portfolio comp. |
| Zara Merken, B.V. | 100% | Netherlands | Global int. | Exploitation of brands |
| Zara Mexico, B.V. | 100% | Netherlands | Global int. | Finance |
| Zara Nederland, B.V. | 100% | Netherlands | Global int. | Finance |

| Investee | Percentage of Ownership | Country | Consolidation Method | Line of Business |
|---|---|---|---|---|
| Zara Nipón, B.V. | 100% | Netherlands | Global int. | Finance and portfolio comp. |
| Zara, S.A. | 100% | Argentina | Global int. | Exploitation of brands |
| Zara Vastgoed, B.V. | 100% | Netherlands | Global int. | Real estate development |
| Vastgoed Asia, Ltd. | 100% | Hong-Kong | Global int. | Real estate development |
| SNC Zara France Immobiliere | 100% | France | Global int. | Real estate development |
| SCI Vastgoed Ferreol | 100% | France | Global int. | Real estate development |
| SCI Vastgoed France | 100% | France | Global int. | Real estate development |
| SCI Vastgoed General Lecrerc | 100% | France | Global int. | Real estate development |
| Zara Vastgoed Hellas, S.A. | 100% | Greece | Global int. | Real estate development |
| Invercarpro, S.A. | 100% | Spain | Global int. | Real estate development |
| Robustae | 100% | Portugal | Global int. | Real estate development |
| Inditex Cogeneración, AIE | 100% | Spain | Global int. | Operation cogen. plant |
| Zara Clothing, GMBH | 100% | Austria | Global int. | Inactive at 01.31.99 |
| Viella, S.A. | 100% | Spain | Global int. | Inactive at 01.31.99 |
| Zara Luxemburgo, S.A. | 100% | Luxembourg | Global int. | Inactive at 01.31.99 |
| Zara Italia, S.R.L. | 100% | Italy | Global int. | Inactive at 01.31.99 |
| Zara, S.A. | 100% | Spain | Global int. | Inactive at 01.31.99 |
| Alvarez Conchado y Zamora, S.A. | 10.00% | Spain | Equity meth. | Real estate development |
| Alvarez Conchado, S.A. | 20.00% | Spain | Equity meth. | Real estate development |
| Fibracolor Decoración, S.A. | 37.75% | Spain | Equity meth. | Decoration |
| Fibracolor, S.A. | 37.75% | Spain | Equity meth. | Fabric pchs. & proc. |
| Franquicias Camelias, S.A. | 47.24% | Spain | Equity meth. | Real estate development |
| Gestión Camelias, S.A. | 47.23% | Spain | Equity meth. | Real estate development |
| Madrid Inversiones, S.A. | 50.00% | Spain | Equity meth. | Portfolio company |
| Superco Coruña, S.A. | 30.21% | Spain | Equity meth. | Real estate development |
| Superco Vigo, S.A. | 47.25% | Spain | Equity meth. | Real estate development |
| Superficies Comerciales, S.A. | 19.60% | Spain | Equity meth. | Real estate development |

EXHIBIT II

DETAIL OF THE FINANCIAL LEASE CONTRACTS IN FORCE AS OF JANUARY 31, 1999

| Company | Leased Asset | Cost of Asset | Lease Payments | | | Purchase Option |
|---|---|---|---|---|---|---|
| | | | Prior Year | 1999 | Outstanding | |
| Bershka España, S.A. | Commercial premises | 225 | 0 | 12 | 265 | 0 |
| Brettos, S.A. | Commercial premises | 84 | 0 | 10 | 44 | 12 |
| Brettos, S.A. | Commercial premises | 53 | 0 | 7 | 40 | 8 |
| Brettos, S.A. | Commercial premises | 86 | 0 | 12 | 52 | 14 |
| Brettos, S.A. | Contract arrangement expenses | 0 | 0 | 0 | 0 | 0 |
| Denllo, S.A. | Machinery | 49 | 22 | 11 | 23 | 1 |
| Goainvest, S.A. | Industrial building | 309 | 229 | 33 | 108 | 38 |
| Goainvest, S.A. | Industrial building | 455 | 335 | 56 | 228 | 65 |
| Industria de Diseño Textil,S.A. | Industrial building | 148 | 171 | 18 | 7 | 2 |
| Industria de Diseño Textil,S.A. | Industrial building | 3 | 5 | 1 | 0 | 0 |
| Industria de Diseño Textil,S.A. | Industrial building | 80 | 45 | 11 | 54 | 1 |
| Industria de Diseño Textil,S.A. | Industrial building | 11 | 5 | 2 | 8 | 0 |
| Industria de Diseño Textil,S.A. | Installations | 132 | 61 | 32 | 67 | 3 |
| Industria de Diseño Textil,S.A. | Installations | 94 | 38 | 21 | 47 | 2 |
| Industria de Diseño Textil,S.A. | Installations | 105 | 39 | 24 | 57 | 2 |
| Industria de Diseño Textil,S.A. | Installations | 120 | 33 | 27 | 75 | 2 |
| Industria de Diseño Textil,S.A. | Machinery and installations | 93 | 23 | 21 | 59 | 2 |
| Industria de Diseño Textil,S.A. | Machinery and installations | 524 | 128 | 116 | 339 | 10 |
| Industria de Diseño Textil,S.A. | Machinery and installations | 490 | 37 | 110 | 392 | 9 |
| Industria de Diseño Textil,S.A. | Machinery and installations | 556 | 10 | 124 | 470 | 10 |
| Industria de Diseño Textil,S.A. | Machinery and installations | 120 | 0 | 18 | 117 | 2 |
| Jema Creaciones Infantiles, S.L. | Machinery | 7 | 3 | 3 | 0 | 0 |
| Jema Creaciones Infantiles, S.L. | Machinery | 7 | 4 | 2 | 0 | 0 |
| Jema Creaciones Infantiles, S.L. | Machinery | 2 | 1 | 0 | 0 | 0 |
| Kiddys Class España,S.A. | Commercial premises | 126 | 46 | 13 | 91 | 24 |
| Kiddys Class España,S.A. | Commercial premises | 105 | 42 | 12 | 72 | 15 |
| Kiddys Class España,S.A. | Commercial premises | 179 | 0 | 23 | 122 | 37 |
| Kiddys Class España,S.A. | Commercial premises | 118 | 0 | 15 | 70 | 18 |
| Kiddys Class España,S.A. | Commercial premises | 98 | 0 | 13 | 60 | 15 |
| Kiddys Class España,S.A. | Contract arrangement expenses | 4 | 0 | 0 | 0 | 0 |
| Grupo Massimo Dutti, S.A. | Computer hardware | 72 | 94 | 9 | 3 | 0 |
| Confecciones Noite, S.A. | Machinery | 45 | 18 | 10 | 24 | 1 |
| Nosopunto, S.L. | Machinery | 289 | 51 | 84 | 178 | 6 |
| Nosopunto, S.L. | Machinery | 50 | 13 | 11 | 32 | 0 |
| Nosopunto, S.L. | Machinery | 189 | 70 | 43 | 103 | 0 |
| Nosopunto, S.L. | Machinery | 28 | 4 | 6 | 21 | 0 |
| Pull & Bear España, S.A. | Commercial premises | 48 | 41 | 6 | 21 | 7 |

| Company | Leased Asset | Cost of Asset | Lease Payments | | | Purchase Option |
|---|---|---|---|---|---|---|
| | | | Prior Year | 1999 | Outstanding | |
| Pull & Bear España,S.A. | Commercial premises | 71 | 60 | 9 | 30 | 10 |
| Pull & Bear España,S.A. | Commercial premises | 64 | 52 | 8 | 28 | 12 |
| Pull & Bear España,S.A. | Commercial premises | 48 | 39 | 6 | 19 | 9 |
| Pull & Bear España,S.A. | Commercial premises | 21 | 13 | 3 | 13 | 3 |
| Pull & Bear España,S.A. | Commercial premises | 68 | 27 | 7 | 45 | 13 |
| Pull & Bear España,S.A. | Commercial premises | 160 | 10 | 21 | 159 | 2 |
| Pull & Bear España,S.A. | Commercial premises | 125 | 0 | 9 | 145 | 1 |
| Pull & Bear España,S.A. | Commercial premises | 47 | 0 | 6 | 21 | 7 |
| Pull & Bear España,S.A. | Commercial premises | 81 | 0 | 11 | 39 | 12 |
| Pull & Bear España,S.A. | Commercial premises | 58 | 0 | 8 | 35 | 9 |
| Pull & Bear España,S.A. | Commercial premises | 179 | 157 | 21 | 64 | 25 |
| Pull & Bear España,S.A. | Commercial premises | 46 | 0 | 6 | 21 | 6 |
| Pull & Bear España,S.A. | Commercial premises | 165 | 0 | 23 | 86 | 26 |
| Pull & Bear España,S.A. | Commercial premises | 42 | 0 | 6 | 21 | 9 |
| Pull & Bear España,S.A. | Commercial premises | 62 | 0 | 8 | 31 | 9 |
| Pull & Bear España,S.A. | Commercial premises | 76 | 0 | 10 | 42 | 11 |
| Pull & Bear España,S.A. | Commercial premises | 48 | 0 | 7 | 27 | 8 |
| Pull & Bear España,S.A. | Commercial premises | 111 | 0 | 15 | 76 | 17 |
| Pull & Bear España,S.A. | Commercial premises | 65 | 0 | 8 | 37 | 10 |
| Pull & Bear España,S.A. | Commercial premises | 93 | 0 | 12 | 62 | 19 |
| Pull & Bear España,S.A. | Contract arrangement expenses | 21 | 0 | 0 | 0 | 0 |
| Samlor, S.A. | Machinery | 21 | 9 | 5 | 10 | 0 |
| Tempe, S.A. | Industrial building | 157 | 25 | 20 | 150 | 2 |
| Tempe, S.A. | Industrial building | 63 | 0 | 1 | 78 | 1 |
| Textil Rase, S.A. | Machinery | 38 | 23 | 8 | 11 | 1 |
| Tugend, S.A. | Machinery | 91 | 41 | 20 | 43 | 2 |
| Zara España. S.A. | Commercial premises | 728 | 597 | 87 | 280 | 98 |
| Zara España. S.A. | Commercial premises | 390 | 312 | 46 | 151 | 70 |
| Zara España. S.A. | Commercial premises | 284 | 215 | 34 | 123 | 38 |
| Zara España. S.A. | Commercial premises | 286 | 217 | 34 | 157 | 39 |
| Zara España. S.A. | Commercial premises | 157 | 118 | 19 | 73 | 21 |
| Zara España. S.A. | Commercial premises | 228 | 171 | 27 | 126 | 31 |
| Zara España. S.A. | Commercial premises | 55 | 37 | 7 | 27 | 8 |
| Zara España. S.A. | Commercial premises | 469 | 300 | 56 | 239 | 64 |
| Zara España. S.A. | Commercial premises | 124 | 75 | 15 | 64 | 17 |
| Zara España. S.A. | Commercial premises | 128 | 63 | 15 | 76 | 24 |
| Zara España. S.A. | Commercial premises | 169 | 80 | 19 | 103 | 31 |

| Company | Leased Asset | Cost of Asset | Lease Payments | | | Purchase Option |
|---|---|---|---|---|---|---|
| | | | Prior Year | 1999 | Outstanding | |
| Zara España. S.A. | Commercial premises | 218 | 104 | 25 | 133 | 40 |
| Zara España. S.A. | Commercial premises | 599 | 232 | 65 | 376 | 83 |
| Zara España. S.A. | Commercial premises | 293 | 129 | 33 | 183 | 40 |
| Zara España. S.A. | Commercial premises | 305 | 100 | 34 | 283 | 42 |
| Zara España. S.A. | Commercial premises | 767 | 307 | 83 | 594 | 140 |
| Zara España. S.A. | Commercial premises | 417 | 116 | 41 | 329 | 79 |
| Zara España. S.A. | Commercial premises | 95 | 34 | 11 | 67 | 14 |
| Zara España. S.A. | Commercial premises | 374 | 104 | 39 | 254 | 89 |
| Zara España. S.A. | Commercial premises | 568 | 89 | 72 | 535 | 6 |
| Zara España. S.A. | Commercial premises | 133 | 18 | 17 | 126 | 1 |
| Zara España. S.A. | Commercial premises | 350 | 19 | 44 | 376 | 4 |
| Zara España. S.A. | Commercial premises | 420 | 0 | 30 | 488 | 4 |
| Zara España. S.A. | Commercial premises | 788 | 0 | 32 | 940 | 8 |
| Zara España. S.A. | Commercial premises | 825 | 0 | 33 | 959 | 8 |
| Zara España. S.A. | Contract arrangement expenses | 215 | 0 | 0 | 0 | 0 |
| Pull & Bear Portugal, Conf. | Commercial premises | 73 | 77 | 12 | 28 | 18 |
| Pull & Bear Portugal, Conf. | Commercial premises | 57 | 60 | 10 | 29 | 12 |
| Pull & Bear Portugal, Conf. | Commercial premises | 46 | 42 | 7 | 25 | 11 |
| Pull & Bear Portugal, Conf. | Commercial premises | 73 | 55 | 10 | 39 | 18 |
| Zara Belgique, S.A. | Computer hardware | 2 | 2 | 1 | 0 | 0 |
| Zara Belgique, S.A. | Computer hardware | 1 | 1 | 0 | 0 | 0 |
| Zara Belgique, S.A. | Computer hardware | 3 | 2 | 0 | 0 | 0 |
| Zara Belgique, S.A. | Computer hardware | 1 | 1 | 0 | 0 | 0 |
| Zara Belgique, S.A. | Computer hardware | 1 | 1 | 0 | 0 | 0 |
| Zara Belgique, S.A. | Computer hardware | 1 | 1 | 0 | 0 | 0 |
| Zara Belgique, S.A. | Computer hardware | 1 | 1 | 0 | 1 | 0 |
| Zara France, S.A.R.L. | Commercial premises | 583 | 201 | 73 | 450 | 0 |
| Zara Portugal Conf. | Commercial premises | 256 | 464 | 43 | 10 | 57 |
| Zara Portugal Conf. | Commercial premises | 465 | 605 | 65 | 95 | 0 |
| Zara Portugal Conf. | Commercial premises | 77 | 149 | 19 | 0 | 0 |
| Zara Portugal Conf. | Commercial premises | 41 | 31 | 4 | 16 | 0 |
| Zara Portugal Conf. | Commercial premises | 114 | 83 | 10 | 44 | 0 |
| Zara Portugal Conf. | Commercial premises | 690 | 0 | 65 | 765 | 0 |
| Sci Vastgoed Ferreol | Commercial premises | 1,040 | 158 | 144 | 1,079 | 0 |
| Sci Vastgoed France | Commercial premises | 1,218 | 372 | 166 | 1,090 | 0 |
| Others | Consolidation adjustments | 607 | | | | |
| | | 21,859 | 7,768 | 2,720 | 15,275 | 1,642 |

1999 MANAGEMENT REPORT

As required by Articles 171 and 202 of Law 19/1989, the Board of Directors of Industria de Diseño Textil, S.A., with its registered office at Polígono Industrial de Sabón, Parcela 79, Arteixo (La Coruña) and employer identification number A - 15075062, submits the following 1999 management report.

1.- BUSINESS PERFORMANCE AND SITUATION OF THE GROUP.

Industria de Diseño Textil, S.A. and Dependent Companies ("the Group") engage mainly in the manufacture, tailoring and retail sale of fashion garments.

The products marketed are designed by the Group and manufactured either by the Group or by outside third parties.

The Group's performance during the year was characterized by strong growth, with heavy investment in Spain and abroad, including most notably the investments made in France, the United Kingdom, Argentina and Venezuela.

These investment efforts led to strong growth, as regards both net sales and consolidated income. These results were made possible by the outstanding cooperation of all the Group's employees.

2.- SIGNIFICANT EVENTS SUBSEQUENT TO 1999 FISCAL YEAR-END.

There have been no events that may significantly affect the Group's net worth and financial position and earnings for the year which have not been reflected in the consolidated financial statements.

3.- OUTLOOK FOR THE GROUP.

The Group's foreseeable evolution is positive with respect both to sales and earnings.

Industria de Diseño Textil, S.A. is the Controlling Company of a corporate group consisting of Spanish and foreign investee companies, as detailed in the accompanying notes to consolidated financial statements.

4.- RESEARCH AND DEVELOPMENT ACTIVITIES.

The Group did not perform, is not performing, and has not engaged third parties to perform, any research and development projects and, therefore, the balance sheet does not include any amount in this connection.

5.- ACQUISITION OF TREASURY STOCK.

The Controlling Company acquired treasury stock representing 0.12% of its capital stock from one of its shareholders. The directors intend to sell these shares in the near future and do not anticipate that such sale will give rise to any loss.

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