2006 annual report INDITEX

Economic and Financial Performance Corporate Performance Social and Environmental Performance

How to navigate through the document

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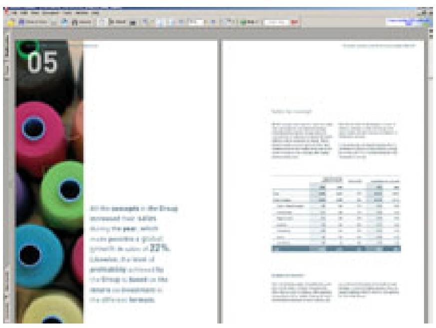

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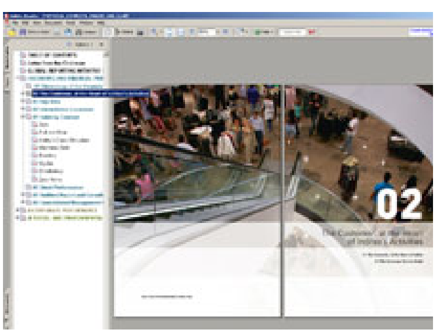

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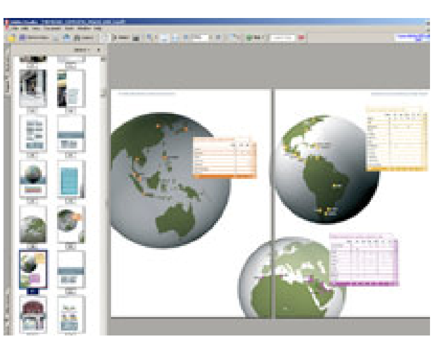

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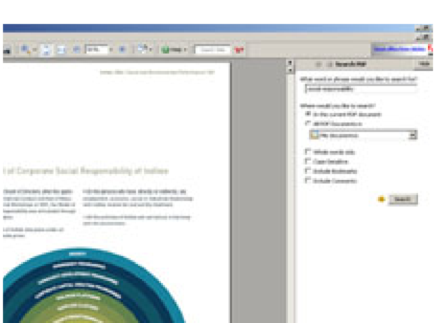

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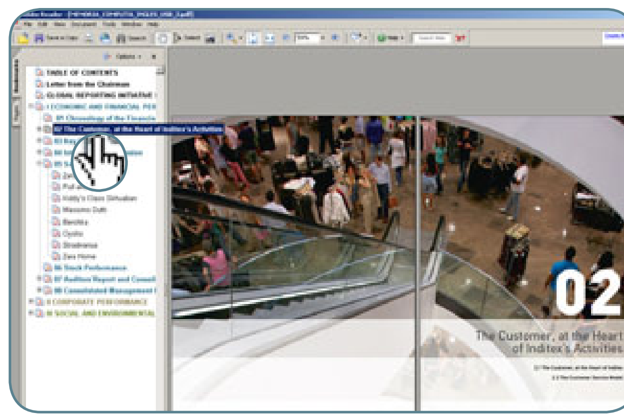

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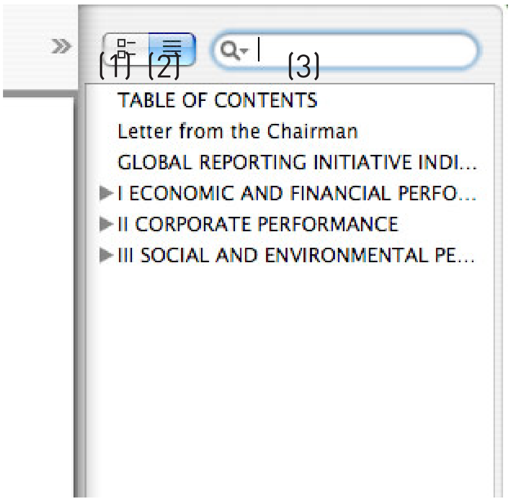

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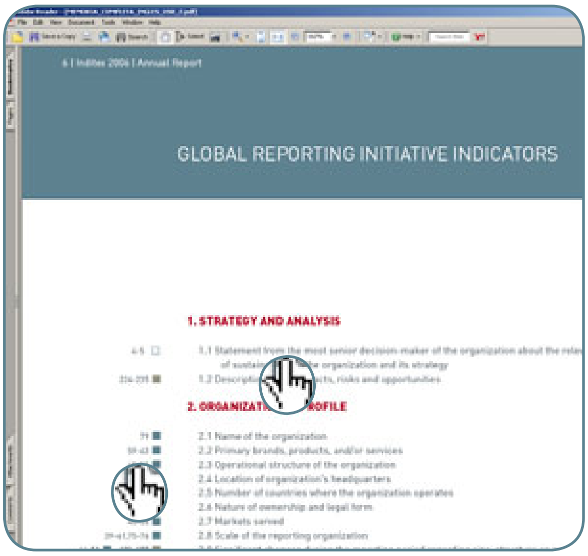
THROUGH THE GRI INDICATORS

The GRI indicators (from page 6 on) also allow you to directly access the information on each one, by clicking either on the text or on the corresponding page number



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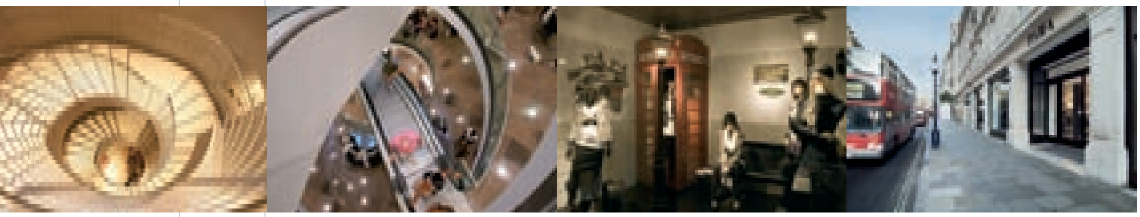
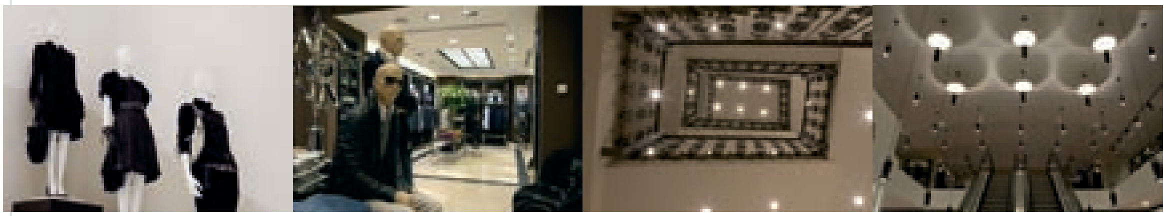
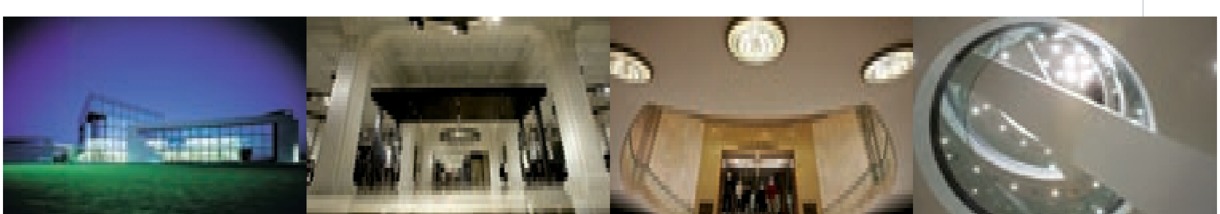


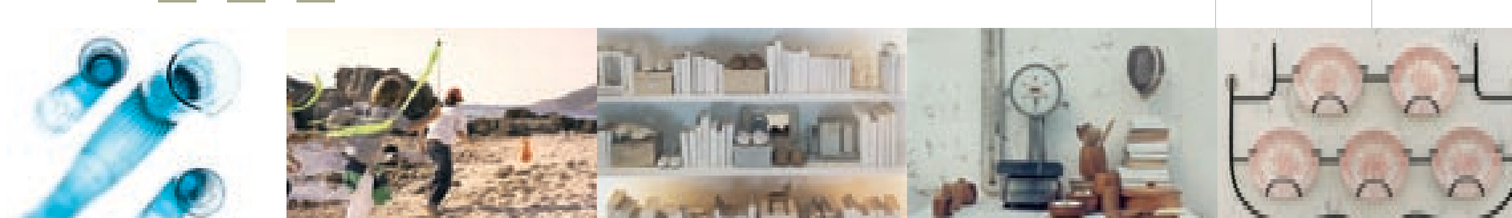
ECONOMIC AND FINANCIAL PERFORMANCE



CORPORATE PERFORMANCE



SOCIAL AND ENVIRONMENTAL PERFORMANCE



Letter from the Chairman

Dear Shareholders,

One of the major efforts of Inditex since its foundation has been to be an absolutely transparent company in the eyes of the world. Inditex has kept an open-doors policy for everyone: customers, institutions, shareholders, investors, suppliers... that is for the core group known as the "stakeholders", a term which in its widest sense covers the society in general. This will of transparency is present year after year in the Annual Report of the Group which shows the attempt of the company to be a pioneer as regards compliance with all national and international recommendations on good corporate governance, financial accounts and the report on social and environmental performance.

This is our Annual Report for Fiscal Year 2006, which covers the activity of the company from February 2006 to January 2007. Our firm commitment towards transparency has led us to introduce a digital version thereof, underscoring the relevance internally assigned to the preparation, review, contents and scope of the different sections of the Report. As in previous years, Inditex´s Annual Report has been prepared pursuant to the most exacting parameters of Global Reporting Initiative, and its scope covers both the economic performance of our corporate group, as well as the corporate, social and environmental dimensions of our activity.

Therefore, it may be safely said that Inditex understands transparency not only as a formal obligation but, primarily as the way to show the stance of the company with regard to certain issues that both shareholders and employees, customers and social actors in general demand more insistently nowadays: to know the social, labour and environmental consequences of our activity, in addition to the mere economic ones.

The growing public interest in these areas is a consequence of a better understanding of the connection between the corporate experience and the social activity as a whole. We are convinced that companies must be the first ones to undertake this commitment, by implementing specific policies within the social and environmental fields. That is exactly what Inditex has been doing, as is shown in this Report, since we understand that our business is not based exclusively on commercial factors.

The statement above derives from the obvious fact, many times overlooked, that companies are comprised of human beings without the effort, professionalisms and motivation of whom, no achievement could be made. Considering that during 2006 upwards of 11,000 persons have joined the company, the Group presently accounts for more than 70,000 employees worldwide who make joint efforts day after day to improve themselves.

The work done by all these teams, of whom I am especially proud, has led us to achieve satisfactory results in terms of financial targets and to cover in top shape a new stage of the international expansion of the formats of the Group both in the markets where they were already present and in the new ones which they have entered in 2006. Our formats have opened 439 new stores during the year in which the landmark number of 3,000 stores has been exceeded; with this respect, it must be pointed out that the opening of the store number 2,000 took place merely two years ago and only six years have lapsed since the opening of our store number 1,000.

Upwards of 80% of the new openings took place in Europe, an area which we see as our domestic market. Growth has been especially significant in such countries as France, Italy or Russia. Meanwhile, in both the United Kingdom and in Germany, there are more than fifty Zara stores. Both in these markets and in other European countries, the presence of the youngest concepts of the Group is relevant, which confirms our belief that the multi-concept strategy implemented by the Group for upwards of fifteen years has proved to be right.

Another priority in the international expansion, the extension of our presence in the Asia-Pacific area, shows a good pace. Together with the expansion of our commercial network in our main platform in the region –Japan– two milestones were reached during 2006: the launching of the first stores in Mainland China, and the arrival of some of our concepts others than Zara to various markets in the area, such as Singapore, Thailand or Indonesia.

Apart from these two specific areas, I would like to stress the consolidation of the gradual growth strategy in the Unites States and the increase in the number of stores in such relevant countries as Mexico or Brazil. Mention must also be made of the productive relationship with our franchisees in the Middle East and in the North of Africa where our concepts are in progression. Both in these areas and in the South Asia region, the potential of our model to extend beyond cultural or social differences, based upon the attention to people and the capacity to learn from our environment is patent.

The satisfactory evolution of sales and results, and the attention paid to return and to the search for higher productive efficiencies has brought in an excellent performance in the stock market, which mirrors the interest shown in our model by international investors, and rewards the support of our shareholders. An attractive remuneration policy is especially addressed to them, together with our traditional policy of strong investments in our own business.

During 2006, CAPEX was in excess of 1 billion euros, aimed at increasing the sales area, extending our logistics capacity, acquiring franchise operations and raising our stakes in joint ventures.

As regards logistics, our efforts in the past year have allowed us to set in train a new logistic platform in León and to launch, in early 2007, the new platform in Meco (Madrid). Investments have been made to improve and strengthen the activity in logistics centres in Galicia, and to enlarge the capacity of the centres in Zaragoza and Catalonia.

As for the above referred acquisitions, in 2006 Inditex has completed the acquisition of the 100% stake in the companies through which it operates in Italy and Russia, and has raised its stake to 78% in its German subsidiary, all three high-potential markets for the Group.

Prior to providing the detailed information shown in this 2006 Annual Report, I would like to refer to the progress we have made and to our future plans both as regards the environmental policy and the management of our supply chain. With regard to the latter, in addition to continuing with the audit programs for suppliers, the application of corrective plans and the social action projects set in train since the approval of our Code of Conduct in 2001, in 2006 progress has been made in defining the action guidelines to ensure an adequate response to our commitment towards social and labour rights, and the improvement of life conditions in the surroundings of the production centres of our products.

Two specific questions must be stressed. First, the application of a standardised system for the prior qualification of our potential suppliers, which not only serves as a filter, but also helps us identify the areas to which special attention must be paid. And secondly, the hard work which has been done to set up clusters of suppliers in those geographic areas where production is concentrated. These groups of suppliers favour the implantation of our social and labour standards and help implement the social audits and potential corrective plans. The permanent dialogue established at this level has also helped us obtain a better definition of the needs of the communities to which we may bring support.

As for the environmental area, we are currently at a very important stage of our work, since we are starting to set in train a new Strategic Plan which aims at optimizing the results achieved in recent years. The essential strategic lines of this Plan search to increase our capacity to produce and use cleaner energy. This strategy, together with the projects to save energy, will allow us to contribute to the general policies for the reduction of greenhouse gas emissions and to fight climate change.

Finally, as regards working rights, Inditex has gone ahead of the legal regulations in force by including certain measures to reconcile work and family life and to ensure non discrimination in any field.

Therefore, we have undertaken various commitments for the future which must be brought to fruition within our organization in the years to come. Retail business, as we understand it in Inditex, requires our constant attention in order to improve our model and give a quick response to the market demands and to the expectations of our customers. Innovation and commitment towards our customers define our corporate culture, strongly assumed by the teams of the company. We believe that this is the right approach to build the future of the Group and we rely on it to gain the trust of our shareholders, customers, suppliers and of the society in general

Amancio Ortega Gaona
Chairman

GLOBAL REPORTING INITIATIVE INDICATORS

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2. ORGANIZATIONAL PROFILE

3. REPORT PARAMETERS

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220-223 ■	4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided
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4-11 □	4.15 Basis for identification and selection of stakeholders with whom to engage
4-11 □	4.16 Approaches to stakeholder engagement
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441 ■	EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts

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404-411 ■	EN2 Percentage of materials used that are recycled input materials
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387-389, 394-395 ■	EN14 Strategies, current actions, and future plans for managing impacts on biodiversity
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Book 1. Economic and Financial Performance ■ Book 2. Corporate Performance ■ Book 3. Social and Environmental Performance ■
CORE INDICATOR, ADDITIONAL INDICATOR

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427-429 ■ LA14 Ratio of basic salary of men to women by employee category

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342-345 ■ HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

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318 ■ HR4 Total number of incidents of discrimination and actions taken

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

316-321 ■ HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

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306-321 ■ HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

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306-321 ■ HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor

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318 ■ HR9 Total number of incidents of violations involving rights of indigenous people and actions taken

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162-163, 170, 279 ■ SO3 Percentage of employees trained in organization's anti-corruption policies and procedures

162-163, 170, 279 ■ SO4 Actions taken in response to incidents of corruption

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375 ■ SO5 Public policy positions and participation in public policy development and lobbying

368 (N/A) ■ SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

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N/A ■ SO7 Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes

COMPLIANCE

N/A ■ SO8 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

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400 ■ PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

27-35 ■ PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes

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34-35 ■ PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

N/A ■ PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

27-35 ■ PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

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27 ■ PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

N/A ■ PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes

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34-35 (N/A) ■ PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

COMPLIANCE

N/A ■ PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services

ECONOMIC AND FINANCIAL PERFORMANCE

Zara Home_Regent Street_London_UK

01

Chronology of the Financial Year

02/01/2006

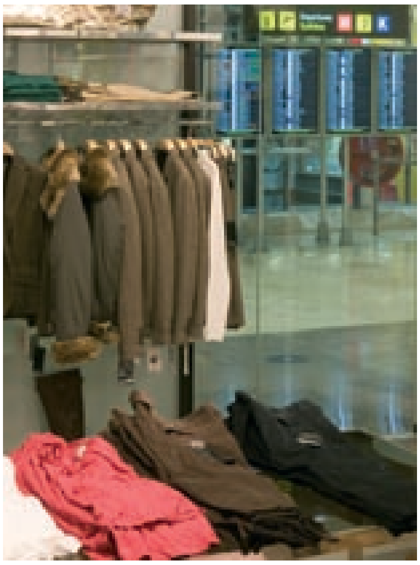
Opening of the first Zara store at Novi Sad in Serbia. The expansion of Zara into Serbia has taken place through an agreement with Delta Holding, a local firm with experience in the retailing sector and the real estate market.

02/23/2006

Zara has opened up at Nanjing Xi Lu, the main commercial avenue in Shanghai, the first Inditex store in Mainland China. At 2000 m^2 of commercial space and with a thirty-metre facade, the new establishment required a complex adaptation process to turn a number of premises into one. The building occupied by Zara was, in the first quarter of the 20th Century, the Spanish consulate. In August, Zara will be opening a second store in Shanghai in Times Square.

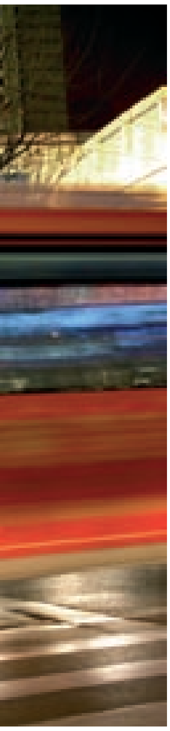
02/27/2006

A Zara store has opened on Drottninggatan Avenue in Stockholm, the largest of the Group's outlets in the nordic countries.



02/28/2006

Zara lands at the new and avant-garde T4 terminal in Barajas (Madrid). The store incorporates the latest novelties of the women's and men's collections. Its location, in a site of great visibility within the terminal, makes it one of the most international shop-windows of Zara fashion open to millions of people who visit this airport each year.



03/17/2006

Zara opens its first store in Tunisia in the "Tunis City" shopping centre, the largest and most modern in North Africa, the fruit of an agreement with the local company, Tuntex. Tunisia is the sixty-fourth market in which Inditex is starting its commercial activity and the second African country in which the Group has opened stores, after Morocco, where Zara and Stradivarius have had stores since 2004.

"For & From Special People" Project

03/20/2006

Fundació Molí d'en Puigvert and Massimo Dutti are extending the collaboration project that they have in Palafolls, aiming at the insertion into society and the workplace of persons with severe mental disabilities from the district of Maresme. This foundation has since 2002 been managing a Massimo Dutti store located in the centre of Palafolls (Barcelona). The aim of the project is to achieve a better integration of this group in society through work and, therefore, to contribute to a better level of health and quality of life.

03/22/2006

Inditex has made an agreement to buy 28% of the capital of Zara Deutschland, Inditex's subsidiary which manages the whole German operations, from the German group Otto. In this way, the Inditex stockholding in this joint venture is raised from 50% to 78%, while the Otto Group retains the remaining 22%. Zara, which opened its first store in this country in 1999, had 53 stores at the year end.

04/22/2006

The first Zara Home store in France. The new store is located in the Les Passages de L'Hôtel de Ville shopping centre, in the town of Boulogne, near Paris. Zara Home opened two new stores in France during 2006.

05/11/2006

The expansion of Zara into Japan goes on at a high rate. The chain has opened a new store in Osaka, the second most heavily-populated city in the country, an important cultural centre and a source of worldwide trends. It has opened on Shinsaibashi-suji Street, the longest commercial street in the city. The store is located in an area covered by an impressive 580-metre-long arcade, under which the Zara architecture team has designed a façade built totally in glass, which takes advantage of all the available height and integrates the image of the outlet with that of its architectural surroundings.

05/13/2006

Stradivarius has begun its expansion into Italy with a first opening in Milan, which was followed by another three during 2006. The shop premises were the first opportunity to see the chain's new store image, which will be consolidated through the year.

06/07/2006

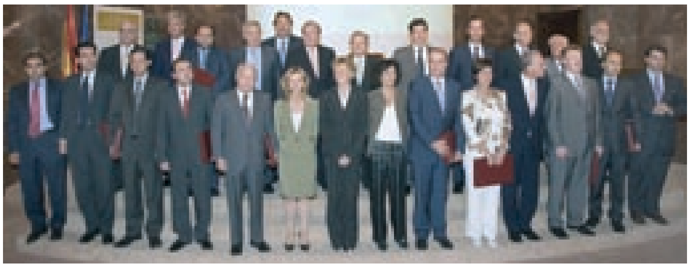
Zara Home opens up its first independent store in the United Kingdom at 129-131 Regent Street, the important London shopping thoroughfare, where another two chains were already present: Zara and Massimo Dutti

06/15/2006

Spanish language courses begin for Inditex employees in fourteen countries. As part of a campaign promoted by Inditex and the Cervantes Institute, two thousand Group employees have the possibility of learning Spanish with this programme of free multimedia training.

07/10/2006

Inditex opens its first Skhuaban store, in Karditsa, Greece. Skhuaban is the commercial name for the international expansion of the children's fashion chain which is operating in Spain and Portugal as Kiddy's Class.



07/11/2006

Inditex, together with the other fifteen companies which make up the Foundation Pro CNIC has received the first FUINSA Prize for Clinical Research for contributing to the creation of the Centro Nacional de Investigaciones Cardiovasculares (National Centre for Cardiovascular Research, CNIC). This organisation provides a contribution of 166 million euros from public funds and almost 100 million euros from private initiative, thus ensuring reliable funding for CNIC.

07/13/2006

Inditex and the French company Omnium have reached an initital agreement under which Inditex will include the premises occupied by ten Bouchara and five Eurodif establishments in different French cities in its commercial network. These will become new shops for Group chains present in France. The operation forms part of the expansion plans of Inditex in France, where at the close of 2006 there were a total of one hundred and forty-seven stores.

07/17/2006

Inditex implants a number of measures to make the reconciliation of working and personal life easier for its Spanish employees. The company was thus ahead of the measures contemplated in the Equality Bill which was going through the Spanish Parliament at that time. Inditex considers that the improvement in the working conditions of the workers is an essential aspect of the social responsibility of companies, which must be capable of adapting their internal regulations to the social reality around them.

07/18/2006

The General Meeting of Shareholders of Inditex approved the distribution of a dividend of 67 euro cents per share, 40% more than the preceding year. This amount is the result of the addition of an ordinary dividend of 52 cents to an extraordinary dividend of 15 cents. The approved dividend amounted to 417,631,000 euros.

08/04/2006-08/11/2006

With one week's difference, Bershka and Pull and Bear arrived in Lithuania with their first stores at the Akropolis commercial centre in Vilnius. The arrival in this new market was achieved in collaboration with the retailer Apranga, which is also the Zara franchisee for the country.

08/24/2006

The first Zara store in Norway. The store is located on Bogstadveien, in Oslo. Inditex had up to that moment two Massimo Dutti stores in Norway, one of which was located in this street, which has been reopened completely refurbished.

08/31/2006

Reopening of the first Zara store in Italy, at the emblematic location on Corso Vittorio Emanuele II in Milan. The outstanding Zara store in the Italian fashion capital has enjoyed great sales success since it opened in April 2002. It was refurbished in 2006 in a record time so as to incorporate all the elements and materials of the new store image. The Men's section has been transferred to adjoining premises with independent access so as to enjoy greater space.

09/14/2006

Massimo Dutti has begun its commercial activity in Morocco with the opening of its first store on the Al Massira Boulevard in Casablanca, the largest city and the financial capital of Morocco. This store, located in a newly-constructed building, has an area of 1,300 square metres, which makes it one of the largest shops in this chain anywhere in the world.

09/28/2006

Inditex has increased its presence in Poland with the arrival in the Krakowska shopping centre of the first Oysho, Stradivarius and Pull and Bear stores. They join Zara and Bershka, which were already present in this country, where Inditex closed the year 2006 with 18 stores.

10/06/2006

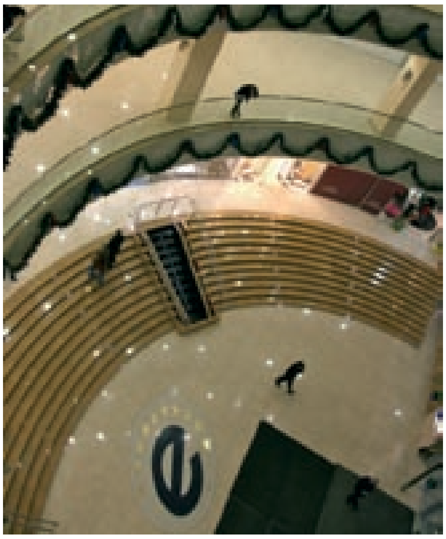
In Singapore, Pull and Bear has opened its first two stores in the Asia-Pacific region, joining Zara and Massimo Dutti in their expansion into this region. The first of these openings took place in the Ngee Ann Shopping Centre in Orchard Road and the second one at the Vivo City Shopping Centre. On the same day, in Jakarta, Massimo Dutti opened its first store in Indonesia.

10/17/2006

Inditex opens its store number 3000, a Zara Home in Calle Colón in Valencia. This significant opening takes place just two years after the opening in May 2004 of Group store number 2000, a Zara store at the International Finance Centre in Hong Kong. Four years earlier, in October 2000, the Group had opened another of its most emblematic stores in London, a Zara in Oxford Street, with which the company achieved the first 1000.

10/30/2006

Inditex inaugurates its new logistical platform in León. This logistical centre complements the activity of the large distribution platforms of Arteixo (A Coruña) and Zaragoza. For the start up of this centre, Inditex has evaluated the geographical location and the availability of a suitable network of transport infrastructures. The Group currently has nine distribution platforms in Spain, which add up to over 1,000,000 m^2 and over 4,200 staff. This year, a total of 700 new jobs have been created on permanent contracts at the logistical centres in León, Arteixo and Zaragoza.



11/08/2006

Pull and Bear will manage directly all the stores in Ireland, integrating the stores that were operated by the franchisee, Roaches Stores, in its commercial network.

11/09/2006

Massimo Dutti and Bershka have opened their first stores in Russia in the Europeiski shopping centre, in the centre of Moscow. In this same location, Zara, Pull and Bear and Stradivarius have also opened stores. Russia is one of the European markets in which Inditex contemplates the greatest growth potential, both due to the evolution of consumption and the excellent welcome that its fashion proposals are receiving. Russia had twenty-nine stores of the Inditex Group, with five commercial formats, at year end.

11/15/2006

The opening of the first Skhuaban stores in Italy (Cremona) and France (Evry). This children's fashion firm is present in five countries.

11/23/2006

Pull and Bear has opened its first store in San Salvador and thus becomes the third chain in the Group operating in the country. The store is located in the Galerías shopping centre, next to Zara and Bershka.

12/01/2006

Inditex has joined the campaign of the World Aids Day. For the first time, all Inditex stores are participating in the international solidarity campaign. A red ribbon is shown in shop-windows all over the world and the employees voluntarily add this symbol to their uniform during World Aids Day.

12/05/2006

The Board of the Ethical Trading Initiative (ETI) has appointed Inditex to the main governing board of the organisation. ETI is a UK based organisation which brings together international distribution companies, large suppliers, trade unions and NGOs, and which aims to improve the living conditions of the workers in the supplying companies. Inditex has been part of ETI since October 2005.

12/21/2006

Inditex controls 100% of the companies with which it is present in Italy, after the agreement reached with Gruppo Percassi to purchase the 20% of capital which it did not already have. At year end, Inditex had a total of 120 stores in Italy of its eight commercial concepts.

01/01/2007

Inditex is advancing with its commitment to reduce CO_2 under the Kyoto protocol. Zara trucks have included biodiesel in their fuel since 1st January. The use of biodiesel in the largest distribution fleet in Inditex will prevent the emission of up to 500 tonnes of CO_2 into the atmosphere each year.

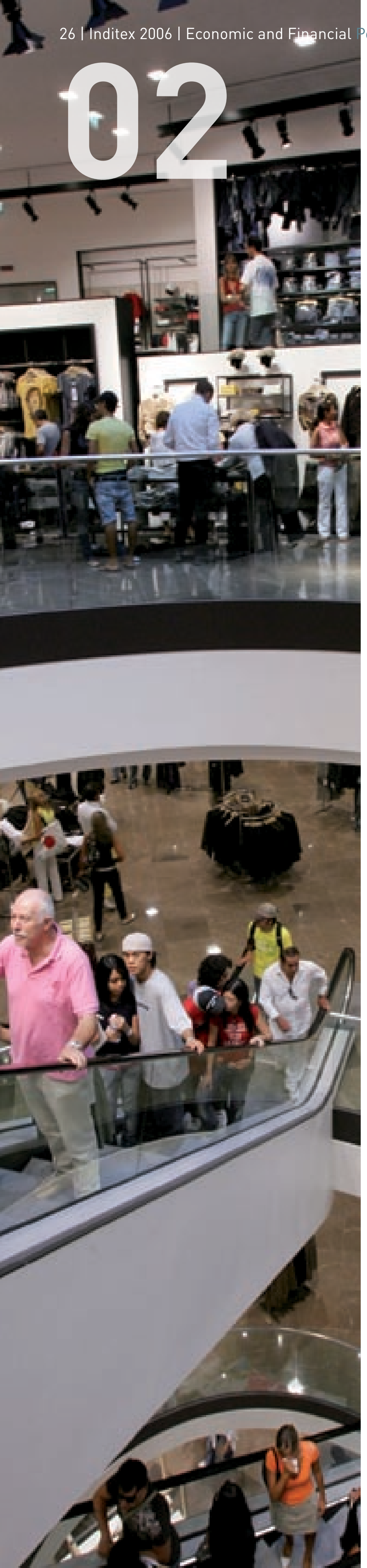
01/30/2007

Inditex relaunches its Affinity Card in Spain, with a new image and new services. In 2007, this means of payment is being introduced into two markets, Greece and Mexico, in collaboration with two local banks.

Zara_Corso Vittorio Emanuele II_Milan_Italy

02

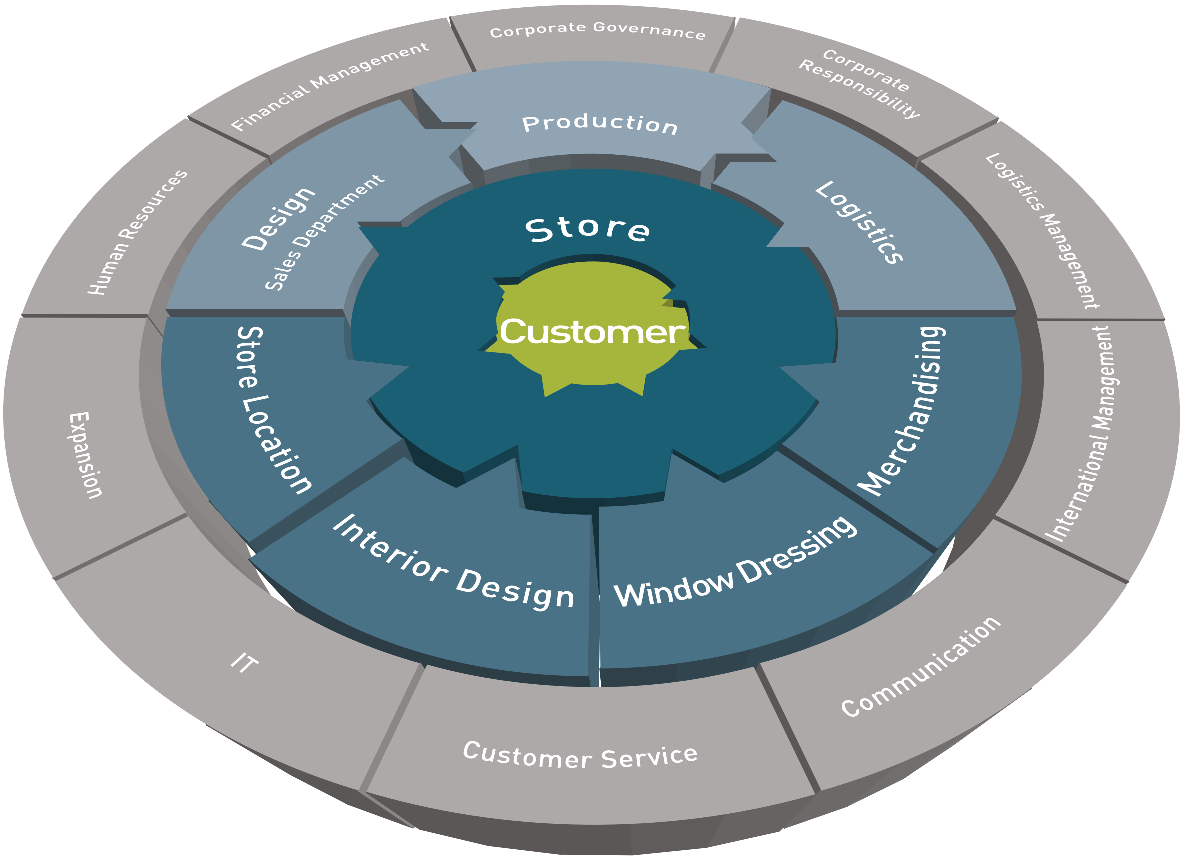
The Customer, at the Heart of Inditex’s Activities



The **customer** is the **centre** of all **Inditex's** activity, not **only as** a **result** of **our** **service vocation** but also **because** customers are the **point** of **reference** for our **business model** and the **production chain.** All the **processes** are **aimed** at **providing** the **best possible** service **to the store** **and** to the **customer.**

The customer, an essential reference for the Inditex model

Inditex locates the customer at the centre of its activity, in such a manner that all the processes of the business model -manufacture, design, distribution and sales in our own managed stores- are organised so as to offer the customer the best possible experience in his or her visit to our stores. As a result, the Inditex business model has a vertical organisation, in which the decisions making process is subordinated to information on the tastes of our customers. This is especially significant in the area of design, as the models put onto the market are the fruit of creative work which has been enriched by the analysis of the reaction of customers to the options present in the stores of the Group and their comments on what they would like to find there. The stores, as the meeting point of the commercial proposals and the customers, are therefore the axis of the activity of Inditex, to which the company devotes a significant effort to location, image and customer attention. The objective is to offer a pleasant environment for the meeting of customers and fashion and, consequently, to guarantee a pleasant shopping experience.



2.1 The customer, at the heart of Inditex

All the areas of activity of Inditex are strongly oriented towards satisfying the effective and potential demands of the Group's customers. In this section, we shall point out the concrete actions carried out during the year 2006 in which this strategic approach is illustrated.

Zara Home_Regent Street_London_UK

2.1.1 Making of commercial decisions

During 2006, a specific plan has been developed aimed at renewing the image of the Affinity Card, communicating in a more efficient way the advantages to the customers and extending its range of activity in 2007 -limited until now to Spain- to two new markets: Mexico and Greece.

The Affinity Card is a valid means of payment for the eight commercial formats of the Group, which offers a number of advantages of a financial nature to the holders. At the end of 2006, there were over 690,000 accounts with a number of operative cards of over 820,000. Apart from a new design, the plan developed in 2006 -which is being started up during 2007- will improve communication with the customer, simplifying information and making it accessible through its own website.

2.1.2 Design of the products

The feed-back of the store staff to the commercial team is fundamental to the process of creation and design of the collections which each of the concepts in the Group launches. This contribution is simply the interpretation of the desires, comments and individual opinions of our customers by fashion specialists who are in direct contact with the market.

For this reason, the training of the store staff has two of its fundamental axes in giving them a specialised knowledge of the evolution of trends in fashion and, on the other hand, in the capacity to take in and to formalise the information which is supplied to them every day by the customers all over the world.

2.1.3 Location of points of sale

The selection of the locations of the Group stores is based on criteria of proximity to the customer. The ideal location, in high-street stores, is always on prime locations, in which visibility and accessibility are guaranteed. There are good examples of this among the openings carried out during the year 2006.

Thus, the new Zara stores in Shanghai, Oslo or Naples stand out; Skhuaban in Karditsa (Grecia); Massimo Dutti in Casablanca; Bershka in Foggia (Italia); Stradivarius in Badajoz (Spain); Oysho in Madrid and Zara Home in Valencia (Spain), London or Brussels. A paradigmatic case is the opening of Pull and Bear's first store at the most significant commercial avenue in Singapore: Orchard Road.

2.1.4 Supply and production

During 2006, the strategic lines of supply have been maintained which make it possible for Inditex to manage its model of rapid response to the market. Despite a great increase in the volume of product marketed (over 500 million units), the proportion of supply from Europe has remained stable. The strategy of proximiy sourcing, which is based both on the factories owned by the Group located in Spain and on external suppliers with whom a stable commercial relationship is maintained, makes it possible for Inditex to offer its clients a new model in less than two weeks.

In this sphere, and from the area of social responsibility, advances have been made with the design of the so-called "supplier clusters", which group suppliers, trade unions, employers' organisations and Inditex purchasing teams backed up by technical staff from the Corporate Social Responsibility department of the Group and local external consultants. The aim is to generate a sustainable productive environment which will make it possible to have long-lasting production relationships. More information can be found in the corresponding chapter of the book of Social Performance in this Report.

2.1.5 Logistical management

In contrast to the traditional criterion of logistical effectiveness, which is generally understood as the transfer of flows of goods to the distribution points following on the decision of a commercial department, at Inditex, logistical efficiency is measured in terms of service to these points. In other words, it is the customers who modulate the rhythms and volumes of those flows.

In the logistical scheme of Inditex, air transport has an important role to play both as a result of the increase in the number of distant points of sale and the need to reduce delivery times. About twenty top-order airlines have agreements with the Group to give a regular service to the shipments from our logistical centres. In 2006, the start up of a specific agreement with the Air France-KLM Cargo group stood out, according to which cargo planes from this company provide services from Zaragoza airport on the days and times specified by the Group. This measure makes it possible to ensure delivery in less than 72 hours to destinations all over the world. Land transport continues to be key to Inditex, making it possible for the Group to efficiently reach, both in terms of time and cost, the sales points around Europe, which amount to 80% of the total.

2.1.6 Store's design

Among the aspects of a technical nature contemplated both in the new projects and in the refurbishment of existing stores, the attention paid to the elimination of architectural barriers for people with mobility problems stands out.

The adaptation of the stores to this premise is put into effect with the introduction of adapted spaces (mainly changing rooms and toilets), of communal elements without barriers (lifts and ramps) and specific modules (such as the wings for the handicapped on the cash desks or the stairlifts).

Almost all the new stores and refurbishments in the Group during 2006 have included toilets and changing rooms for the disabled. Likewise the numbers of lifts have been increased and payment modules have been adapted to wheelchairs in most stores (and in their different sections).


Zara_Paseo del Born_Palma de Mallorca_Spain

2.2 The Customer Service Model

The satisfaction of those coming to the stores, interested by our fashion options, is the main objective of the personal attention at the point of sale. The store employees receive full training with particular emphasis on customer service. Store managers are in charge of leading their sales team as representatives of the company's values, reputation and image.

The customer service model used in Inditex stores is based on establishing an open and direct relationship. For this reason, comfort and freedom of choice for the customer are the fundamental principles of our activity.

Careful consideration goes into the placement of the shop fittings and fixtures in order to avoid interference in the shopping experience if it is not asked for, ensuring that the meeting between the potential customer and fashion can take place in a barrier-free environment.

In turn, the store managers, backed by their team, have the responsibility of quickly and efficiently meeting customer needs.

Claims, complaints or suggestions are initially dealt with by store managers and their teams. The main objective is to offer a correct solution at maximum speed. In any case, if the customer deems it necessary, he or she always has the option of contacting the Customer Service Department.


Zara_Shibuya_Tokyo_Japan

2.2.1 Number of customers

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

• In 2006, a total of 528.6 million items were sold in the group's stores.

• Inditex has its own payment method in Spain: the Affinity card. As at 31st January 2007, 690,110 customers had an Affinity card.

2.2.2 Degree of Customer Satisfaction

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

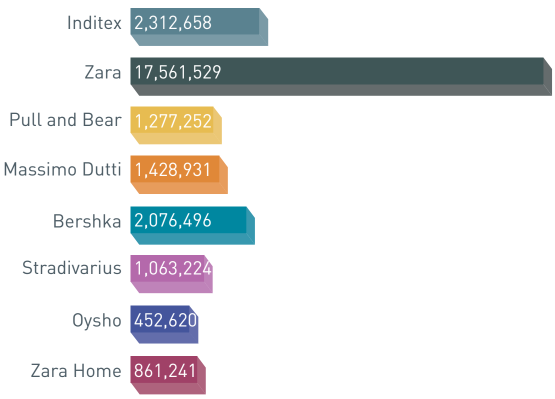
As far as complaints about the service and the products are concerned, a total of 3,476 complaint forms were submitted to the Spanish (Spain accounts for 40% of the Inditex Group's turnover) Consumer Protection authorities in 2006. This figure represents 0.0014 per cent of the number of units of product marketed in Spain, that is to say 14 complaints for each million units of product marketed.

The pages of the Group on the internet, which received a total of 27,033,951 visits in 2006, make customer service systems available to the

The first day of opening of the shop on Bogstadveien, in Oslo (Norway) public. To be exact, we received a total of 72,729 customer communications using the forms available on the websites, which were given an individual response. Out of this total, 5,689 related to various service or product-related problems, which represents 7.9% of the total. All other communications received in this way were requests for information regarding our various concepts' commercial activities, such as store location, new openings or requests for catalogues, or relating to corporate aspects concerning the Inditex Group.

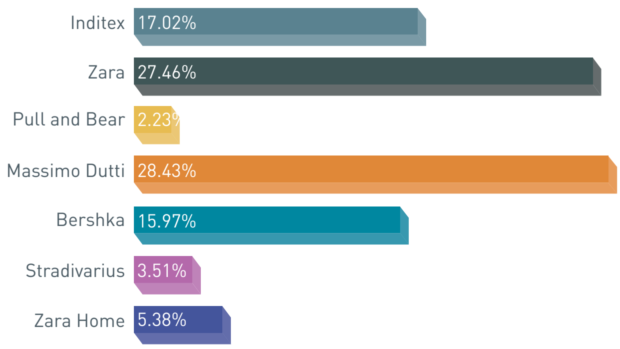
The Inditex Customer Service Department for Spain, for its part, received a total of 6,310 phone calls in 2006, all of which were attended to individually. For this service, the Group has a special freephone Customer Service number (900 400 323), as well as a general number for each concept's head office.

2.2.3 Website hits (27,033,951)

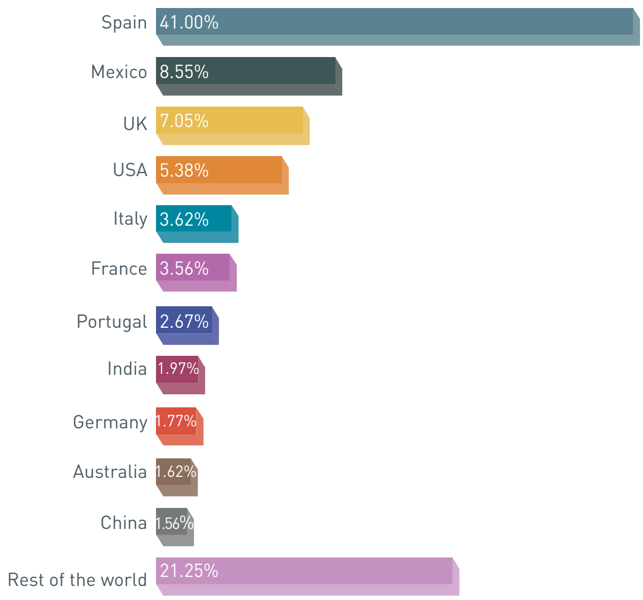


2.2.4 Customer queries received by e-mail.

a. Percentage per chain



b. Percentage per country of origin



Autumn-winter campaign_Stradivarius

03 Key Data


BEWARE OF THE TRAINS
LOOK BOTH UP AND DOWN
THE LINE
BEFORE YOU CROSS
RAILROAD CROSSING
STOP
LOOK AND LISTEN

03

Inditex sales rose by **22%** to **8,196** million **euros** and the **net income** increased by **25%** up **1,002** million **euros.** The net **margin** continued to **grow** for another year **to reach** **12.2%** of sales.

A new boost to internationalisation increasing profitability

Inditex, one of the world's major fashion retailer, achieved net sales in 2006 of 8,196 million euros, 22% up on 2005. Net income rose by 25%, to 1,002 million euros. At the end of the 2006 financial year, Inditex had 3,131 stores in 64 countries in Europe, America, the Asia-Pacific Region, the Middle East, and Africa. During this financial year, Inditex began its activity in two new countries, Serbia and Tunisia, in both cases with the opening of the first stores of the Zara chain.

The growth in tnet sales was the consequence of the satisfactory behaviour of like-for-like sales, which increased by 5.5%, and an increase in the commercial area of 16%, up to 1,657,299 square metres. In relation to the increase in net income, it is worth pointing out that the gross margin reached 56.2%. EBIT and EBITDA grew respectively by 24 and 23%.

Growth of the commercial area was derived from the opening of 439 new stores of all formats, with a significant part of the growth taking place outside Spain. Zara, with 138 net openings, was the chain with the greatest increase in number of stores and is also the concept with the highest contribution to space growth. 80% of the new Zara stores opened during 2006 have been located in international markets. Other younger concpets, such as Pull and Bear and Bershka have also enjoyed significant growth in their international presence, with 73% and 70% of their new stores opened outside the domestic market.

The company's eight commercial formats -Zara, Kiddy's Class/Skhuaban, Pull and Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home- have showed solid growth in sales during the year 2006 in all geographical areas in which they operate.

Oysho and Zara Home showed particularly outstanding performance, with a growth in sales of 54% and 78% respectively. In the same way, Zara, the concept with the highest weight in Group sales, raised its sales by 21%. The global average return on capital employed was 43%. After two financial years with a strong increase in the net margin, this rose by 75 base points until it reached 12.2% of sales.

Main indicators (millions of euros)*

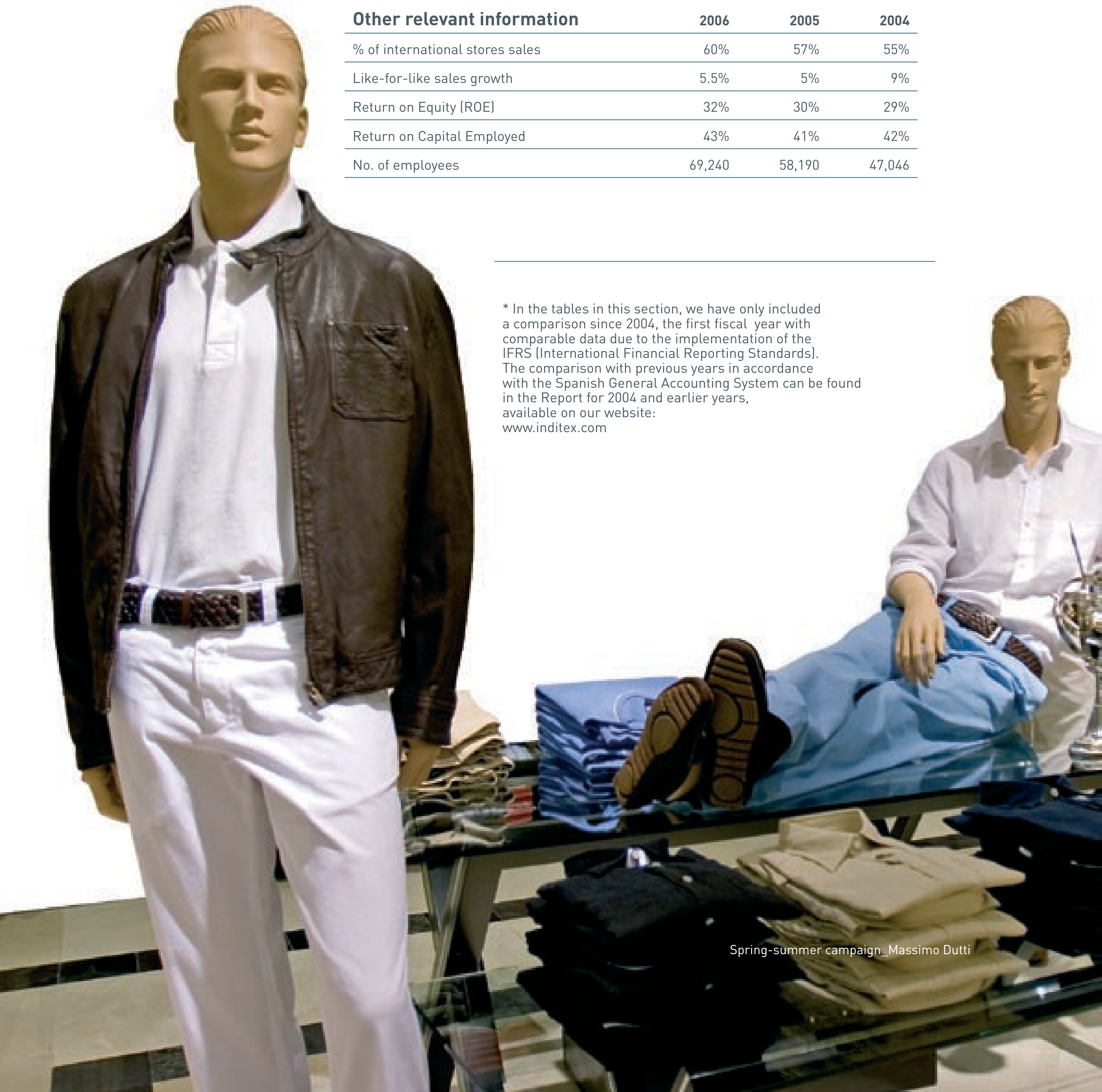
Results	2006	2005	2004	CAGR 06/04
Sales	8,196	6,741	5,569	
Interannual variation	22%	21%		21%
EBITDA	1,790	1,459	1,227	
Interannual variation	23%	19%		21%
EBIT	1,356	1,094	922	
Interannual variation	24%	19%		21%
Net income	1,002	803	639	
Interannual variation	25%	26%		25%

Other indicators	2006	2005	2004	CAGR 06/04
Shareholders' equity	3,471	2,921	2,393	
Interannual variation	19%	22%		20%
Net financial position	714	703	489	

Stores	2006	2005	2004
Number of stores at year-end	3.131	2.692	2.244
Net openings	439	448	322
Number of countries with stores opened	64	62	56

Other relevant information	2006	2005	2004
% of international stores sales	60%	57%	55%
Like-for-like sales growth	5.5%	5%	9%
Return on Equity (ROE)	32%	30%	29%
Return on Capital Employed	43%	41%	42%
No. of employees	69,240	58,190	47,046

* In the tables in this section, we have only included a comparison since 2004, the first fiscal year with comparable data due to the implementation of the IFRS (International Financial Reporting Standards). The comparison with previous years in accordance with the Spanish General Accounting System can be found in the Report for 2004 and earlier years, available on our website: www.inditex.com



Spring-summer campaign_Massimo Dutti

Zara_Regent Street_London_UK

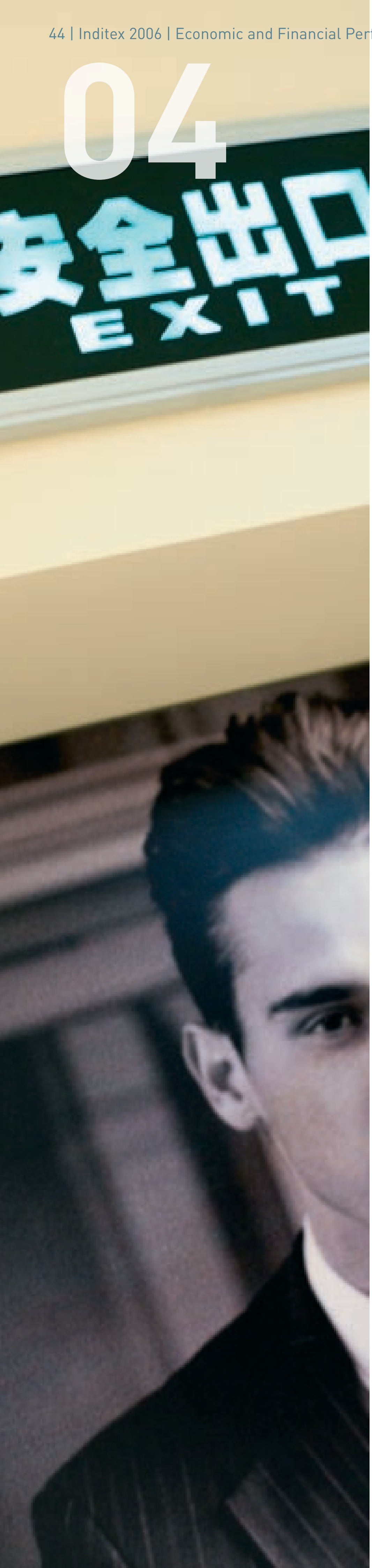
04

International Expansion

4.1 International Presence

4.2 Geographic Breakdown of Sales

04



The **commercial** area of the whole **Group** grew **by 16%** to **reach 1,657,299m²**. For **the** first **time**, over **60%** of the **openings** were **in international** markets **with Inditex** now **operating** in **sixty-four** countries **including our** first **stores** in **Mainland China.**

Multiconcept expansion in Europe and strategic growth in the Asia-Pacific area.

Inditex increased its commercial area during the 2006 financial year by over 220,000 square metres, thus easily surpassing the million and a half square metres of commercial area for the Group. This growth, 16% in comparison with the previous year, arose mainly in the European market, in which over 80% of the openings of new stores took place.

The growth in the commercial space, which reached the global figure of 1,657,299 square metres at year-end, involved the increase in the commercial presence in 45 markets. Boosted by the decisive international expansion of Inditex, the international store sales were 60.4%, with an advance of 350 basic points in comparison with the previous financial year and in line with the progressive increase in this figure over the last few years. This growth of sales outside the domestic market was common to the eight commercial formats of the company and was especially noteworthy in Zara, the most international of the concepts, whose international store sales amounted to 72.3% of the total.

Europe as domestic market

The European markets continue to be responsible for the majority of the Group's openings, surpassing 80% of the new stores opened during 2006. Apart from Spain, markets such as Italy, France, Germany, the UK, Russia and Turkey have increased their selling area very significantly. At year-end, four European countries (Spain, Portugal, Italy and Greece) had stores from all Inditex concepts, and in fourteen countries there were stores of, at least, four different concepts. A new market, Serbia, has been added during 2006 to the list of European countries with an Inditex presence.

Strong growth in the Asia-Pacific Region

The Group is paying special attention to taking advantage of its opportunities in the countries of the Asia-Pacific Region. In the year 2006, Inditex raised the selling area in this region by 73% and the first openings in Mainland China have taken place.

Expansion in other areas

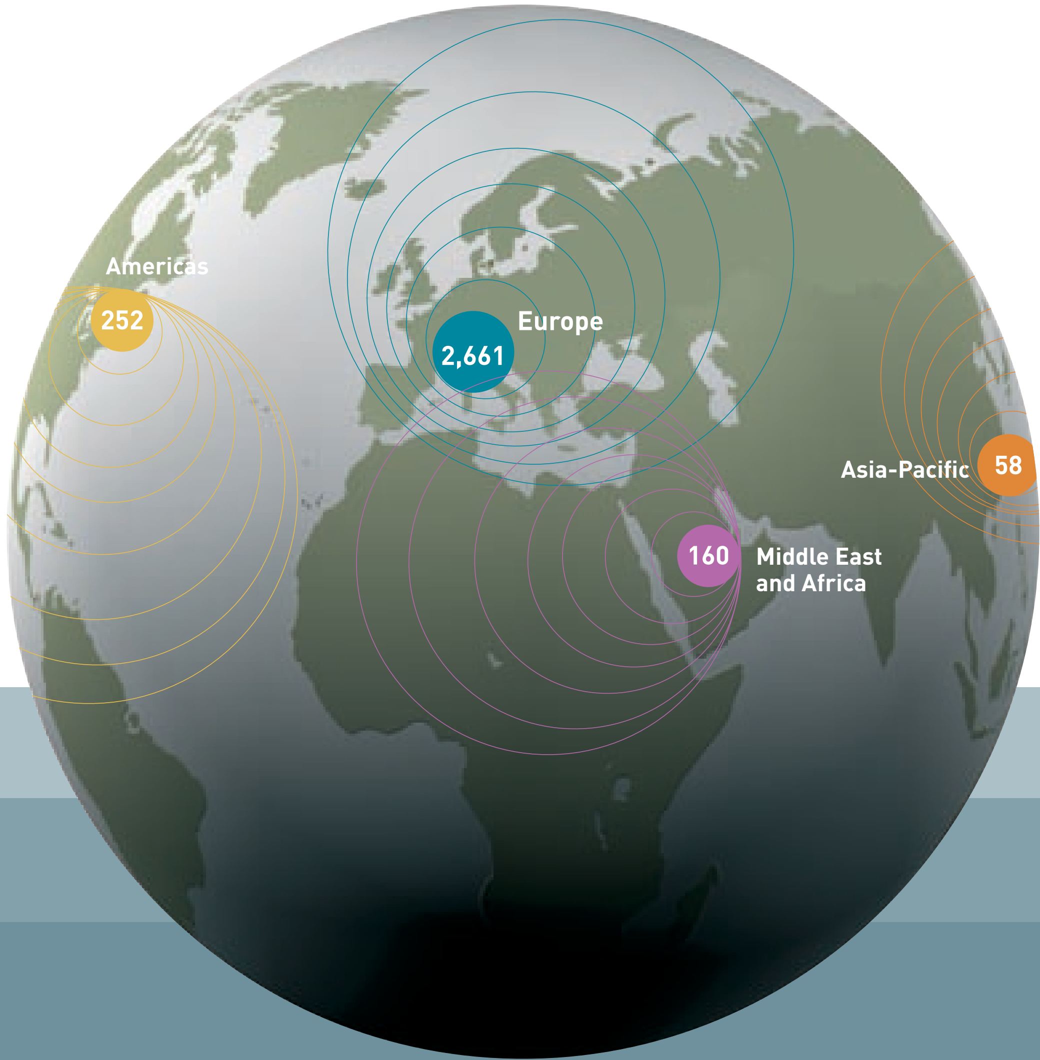
The Group has also increased its presence in America during this financial year. An important part of this growth took place in Mexico, where six concepts are already operative, and other markets have also contributed significantly, such as the United States and Brazil. In the last of these areas where the Group in present, the Middle East and North Africa, expansion has continued and the opening of another market has taken place: Tunisia.

	Selling Area (m^2)		
	January 31st 2007	**January 31st 2006**	**Var% 06/05**
Zara	1,102,410	961,791	15%
Kiddy's Class/Skhuaban	35,877	28,999	24%
Pull and Bear	111,429	95,179	17%
Massimo Dutti	113,604	103,816	9%
Bershka	152,327	130,495	17%
Stradivarius	77,580	67,297	15%
Oysho	27,540	21,197	30%
Zara Home	36,533	25,978	41%
Total	**1,657,299**	**1,434,752**	**16%**

4.1 International Presence

Inditex opened 439 stores during the financial year 2006, 270 of which – over 60% – were in international markets. A total of 352 of these new stores are located in 25 European countries, the most important of which are Italy, with 46 openings and France with 24. In both cases, furthermore, the presence of different concepts has increased this financial year, with the arrival of Skhuaban in Italy and France; Stradivarius in Italy and Zara Home in France. In Germany, the growth of Zara has been very important, with twelve new stores, and in Russia six new Zara stores have opened and Massimo Dutti and Bershka have been introduced, additionally to already present Pull and Bear and Stradivarius.

At the end of 2006, there were fifty-eight stores in the Asia Pacific Region, twenty-five of which had been opened that year, in Japan, China, Singapore, Indonesia, Thailand, the Phillipines and Malaysia. In the course of the financial year, Zara opened its first stores in Mainland China and in Thailand, and Massimo Dutti in Indonesia. Furthermore, the Group has initiated the expansion of a third concept in the Asia Pacific region, Pull and Bear, which opened its first stores in Singapore during 2006.



Number of stores FY 2006	ZARA	KC/SKH	PB	MD	BSK	STR	OY	ZH	ITX
Europe	761	185	411	352	368	276	173	135	2,661
Asia-Pacific	50		2	6					58
Americas	130		28	21	45		21	7	252
Middle East and Africa	49		26	20	20	28	7	10	160
Total	990	185	467	399	433	304	201	152	3,131

Z Zara | **KC/SKH** Kiddy's Class-Skhuaban | **PB** Pull and Bear | **MD** Massimo Dutti | **BSK** Bershka | **STR** Stradivarius | **OYS** Oysho | **ZH** Zara Home

Europe: Number of stores FY 2006

	ZARA	KC/SKH	PB	MD	BSK	STR	OY	ZH	ITX
Spain	286	157	286	227	232	224	120	96	1,628
Portugal	48	19	62	45	35	27	22	15	273
France	98	2	1	11	29	3		3	147
Italy	46	4	14	6	18	4	21	7	120
Greece	41	3	13	10	17	2	7	3	96
UK	50			7	4			3	64
Germany	53			6					59
Belgium	20			19	7			3	49
Turkey	16		3	5	3	3	2	2	34
Russia	12		8	2	2	5			29
Ireland	6		9	1	5	2			23
Poland	13		1		2	1	1		18
The Netherlands	9				4			1	14
Cyprus	3		2	1	4	3		1	14
Switzerland	8			4	1				13
Austria	10								10
Sweden	6			3					9
Czech Republic	5		2		2				9
Malta	1		5		1				7
Lithuania	3		1		2				6
Andorra	1		1	2		1		1	6
Slovenia	4					1			5
Denmark	4								4
Finland	4								4
Hungary	3								3
Luxembourg	2			1					3
Norway	1			2					3
Iceland	2								2
Serbia	2								2
Romania	1		1						2
Slovakia			2						2
Estonia	1								1
Latvia	1								1
Monaco	1								1
Total	**761**	**185**	**411**	**352**	**368**	**276**	**173**	**135**	**2,661**


ICELAND
NORWAY
SWEDEN
FINLAND
ESTONIA
RUSSIA
LATVIA
DENMARK
LITHUANIA
IRELAND
GERMANY
POLAND
UK
THE NETHERLANDS
BELGIUM
LUXEMBOURG
CZECH REPUBLIC
SLOVAKIA
AUSTRIA
FRANCE
HUNGARY
SWITZERLAND
SLOVENIA
ROMANIA
ANDORRA
MONACO
SERBIA
ITALY
SPAIN
TURKEY
PORTUGAL
GREECE
MALTA
CYPRUS

Asia-Pacific: Number of stores FY 2006

	ZARA	PB	MD	ITX
Japan	23			23
Singapore	5	2	3	10
China	7			7
Indonesia	6		1	7
Thailand	3		2	5
The Philippines	3			3
Malaysia	3			3
Total	**50**	**2**	**6**	**58**

Americas: Number of stores FY 2006

	ZARA	PB	MD	BSK	OY	ZH	ITX
Mexico	44	24	21	35	21	7	152
USA	24						24
Venezuela	9	3		9			21
Brazil	19						19
Canada	14						14
Argentina	6						6
Chile	5						5
El Salvador	2	1		1			4
Panama	2						2
Uruguay	2						2
Costa Rica	1						1
Puerto Rico	1						1
Dominican Rep.	1						1
Total	**130**	**28**	**21**	**45**	**21**	**7**	**252**

Middle East and Africa: Number of stores FY 2006

	ZARA	PB	MD	BSK	STR	OY	ZH	ITX
Saudi Arabia	18		7	13	15	2	5	60
Israel	15	13						28
U.A.E.	5	4	5	4	4	1	4	27
Kuwait	4	3	1		2	2	1	13
Lebanon	2	3	3	2	2	1		13
Qatar	1	1	1	1	1	1		6
Jordan	1	1	1		2			5
Morocco	1		1		2			4
Bahrain	1	1	1					3
Tunisia	1							1
Total	**49**	**26**	**20**	**20**	**28**	**7**	**10**	**160**

4.2 Geographic Breakdown of Sales

Europe continues to account for over 80% of total Inditex sales. In this financial year, for the first time, the sales in European markets not including Spain were greater than those in the Spanish market, achieving 40.6% of the total. It is foreseeable that this tendency will continue over the next few years, given both the consolidation of the presence of Zara and the expansion strategy of the new formats to an ever growing number of European countries.

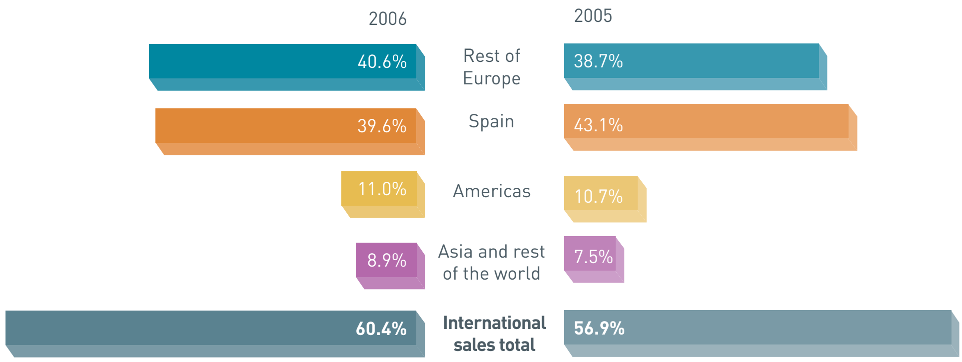
The sales in the Americas were 11% of total sales this year, a similar percentage to previous years (10.7% of sales in 2005). Sales in the rest of the world have increased by 140 basis points and are now 8.9% of the total. The definite growth of Inditex in the Asia Pacific region and the excellent welcome given to its commercial proposals largely justifies the upward tendency of the weight of sales in this region.

The analysis of international store sales per concept makes possible to appreciate the growing tendency towards the internationalisation of all of them.

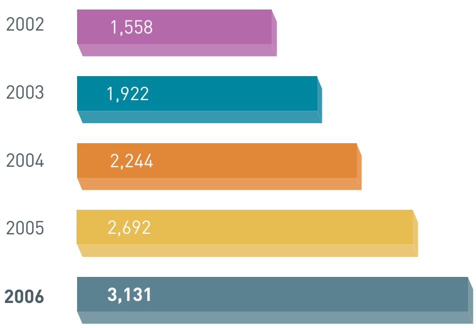
As a whole, the Group obtained 60.4% of its sales in international markets.

Zara_Nanjin Xi-Lu_Shanghai_China

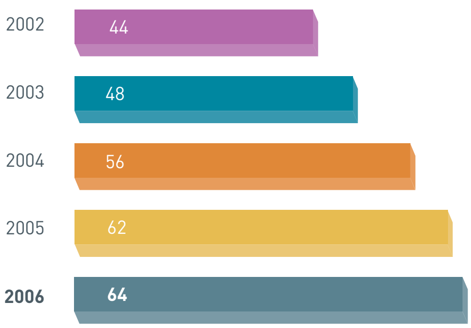
4.2.1 Sales by geographical area



4.2.2 Number of stores



4.2.3 Number of countries



% International Store Sales	2006	2005
Zara	**72.3%**	**68.9%**
Other concepts	**38.4%**	**34.5%**
Kiddy's Class/Skhuaban	14.5%	14.0%
Pull and Bear	40.2%	33.2%
Massimo Dutti	49.4%	45.6%
Bershka	45.0%	41.5%
Stradivarius	19.7%	17.4%
Oysho	35.1%	31.8%
Zara Home	35.4%	23.0%
Total	**60.4%**	**56.9%**

4.2.4 Company-managed Store Growth

The expansion strategy for the Inditex concepts is mainly based on Company-managed store openings managed by companies in which Inditex is the sole or majority shareholder. As at January, 31st 2007, 89% of the Group's stores were managed by the company and represented 89% of total sales. The franchised stores amounted to 354, 11% of the total. In 2006, Inditex acquired 100% of Zara Russia and the majority of the capital of Zara Poland. In March, the Group reached an agreement to increase its stake in its German subsidiary Zara Deutschland to 78%. In December 2006, Inditex announced the agreement reached with the Gruppo Percassi to acquire the remaining 20% of capital of the companies with which it operates in Italy. Inditex now controls 100% of all those companies with which it is present in Italy. As at year-end 2006, Inditex had 29 stores in Russia, 18 in Poland, 59 in Germany and 120 in Italy.

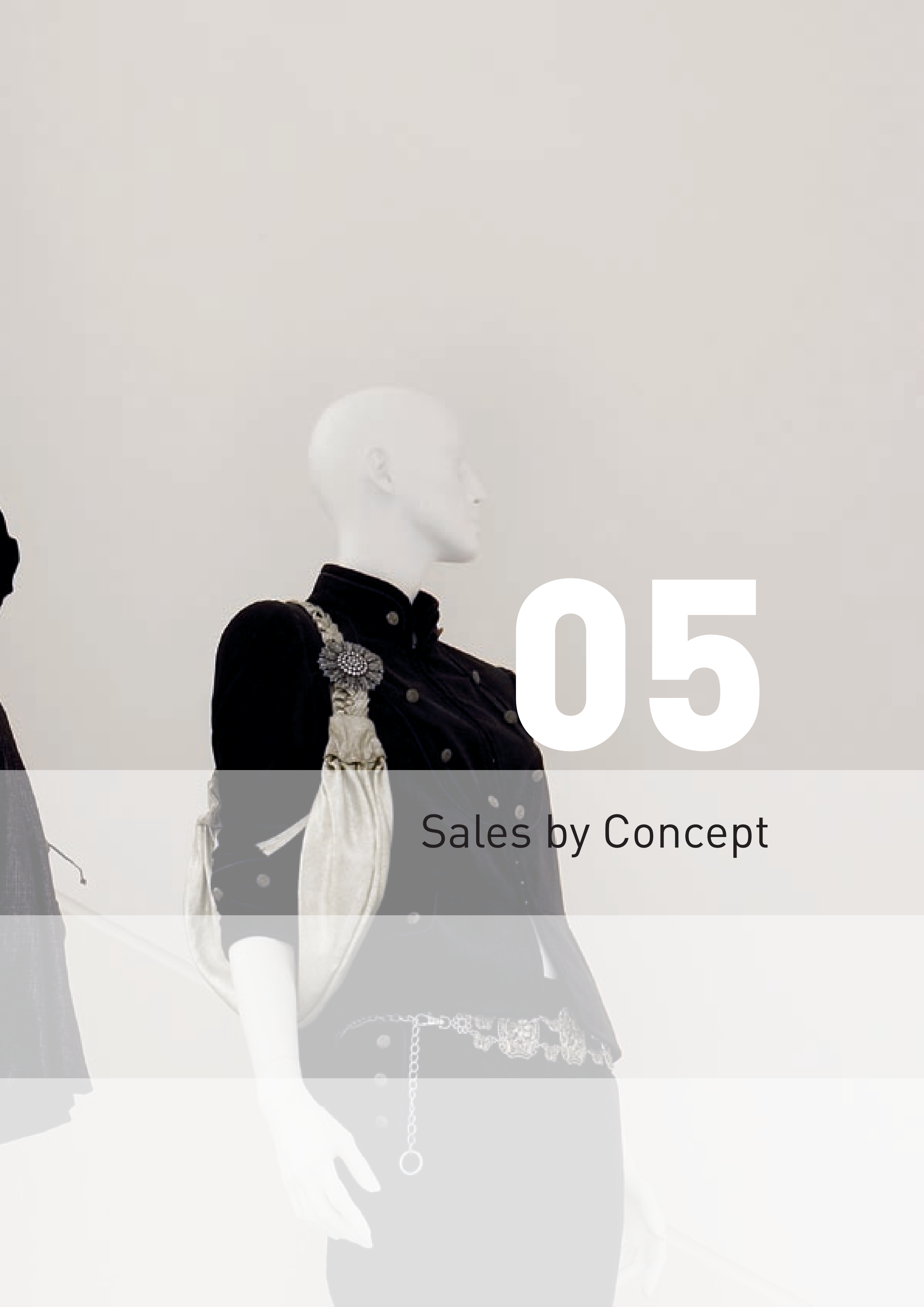
% of sales in Company-managed and franchised stores

	2006		2005	
	Own-managed	Franchised	Own-managed	Franchised
Zara	**90%**	**10%**	**90%**	**10%**
Other concepts	**87%**	**13%**	**87%**	**13%**
Kiddy's Class/Skhuaban	100%	0%	100%	0%
Pull and Bear	90%	10%	91%	9%
Massimo Dutti	72%	28%	72%	28%
Bershka	95%	5%	97%	3%
Stradivarius	81%	19%	82%	18%
Oysho	97%	3%	98%	2%
Zara Home	93%	7%	96%	4%
Total	**89%**	**11%**	**89%**	**11%**

Number of Company-managed and franchised stores

	2006			2005		
	Own-managed	Franchised	Total	Own-managed	Franchised	Total
Zara	**892**	**98**	**990**	**770**	**82**	**852**
Other concepts	**1,885**	**256**	**2,141**	**1,612**	**228**	**1,840**
Kiddy's Class/Skhuaban	185	-	185	149	-	149
Pull and Bear	420	47	467	380	47	427
Massimo Dutti	301	98	399	275	94	369
Bershka	405	28	433	351	17	368
Stradivarius	240	64	304	208	55	263
Oysho	194	7	201	149	5	154
Zara Home	140	12	152	100	10	110
Total	**2,777**	**354**	**3,131**	**2,382**	**310**	**2,692**

Spring-summer campaign_Zara



05

Sales by Concept

05

All the **concepts** in **the Group** **increased** their **sales** during **the year**, which made **possible a** global growth **in** sales of **22%.** **Likewise,** the **level** of **profitability** achieved **by** the **Group** is **based** on **the** **return** on **investment** in the different **formats.**

Sales by concept

All the concepts reach specific customers, have their own business lines and store designs. Notwithstanding, all the concepts have one characteristic in common: to present the latest fashions with an emphasis on design. This is aimed to meet customer demands with rapid rotation and with new models being sent to the stores throughout the campaign, with quality and attractive prices.

The different level of development of each of Inditex's concepts is reflected both by their sales volume and their relative contribution to the Group's turnover.

In the same way, the degree of penetration in international markets is also different concept by concept, with Zara currently being the most international concept.

	Sales by concept (millions of euros)		Var% 06/05	Contribution by conceptt	
	2006	**2005**		**2006**	**2005**
Zara	**5,352**	**4,441**	**21%**	**65.3%**	**65.9%**
Other concepts	**2,844**	**2,300**	**24%**	**34.7%**	**34.1%**
Kiddy's Class/Skhuaban	182	155	17%	2.2%	2.3%
Pull and Bear	519	445	17%	6.3%	6.6%
Massimo Dutti	614	534	15%	7.5%	7.9%
Bershka	798	639	25%	9.7%	9.5%
Stradivarius	428	341	25%	5.2%	5.1%
Oysho	165	107	54%	2.0%	1.5%
Zara Home	139	78	78%	1.7%	1.2%
Total	**8,196**	**6,741**	**22%**	**100%**	**100%**

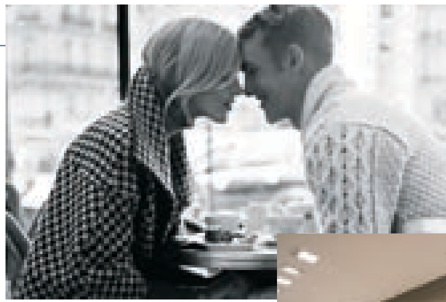
Analysis by concepts

Over the following pages, the performance per each of the Inditex concepts throughout the 2006 financial year is analysed, both regarding its expansion and its results. Among the ratios of profitability indicated for each concept, and as an element of analysis of the multiconcept strategy, it is worth emphasising the return on capital employed (ROCE), which is 43% globally for the Inditex Group.

Zara

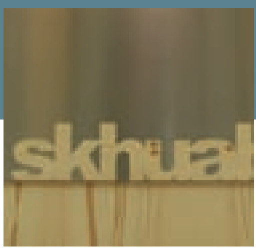
During 2006, Zara opened 138 new stores, increasing its selling area by 15%. The selling area of the Zara stores was, on January, 31st 2007, 1,102,410 m². At year end, the concept had 990 stores in sixty-three countries, including its first stores in Norway, Serbia, Thailand, Mainland China and Tunisia. The new stores opened during 2006 meant an increase in the number of establishments in thirty-seven countries. The increases in the number of points of sale were especially significant in markets such as Germany (12 new stores), Italy (10), France (8), Russia (6), United States (6), Japan (5), Mexico (5) and Brazil (5).

Zara's net sales rose by 21% to 5,352 million, representing 65.3% of the Group's total.



Main indicators (millions of euros)

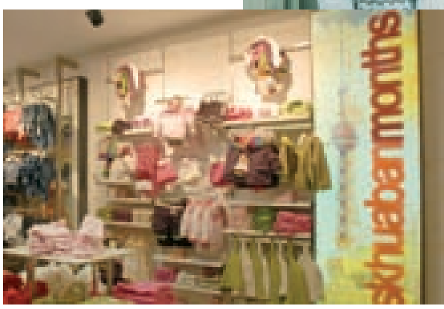
ZARA	2006	2005	06/05
Net sales	5,352	4,441	21%
EBIT	880	712	24%
EBIT margin	16%	16%	-



Kiddy's Class Skhuaban

Kiddy's Class/Skhuaban opened thirty-six new stores during this financial year, with a percentage of openings outside Spain of 25%, greater than in previous years. This greater international penetration has been boosted by the beginning of the activity of this concept in Greece, Italy and France. In these countries, as well as in the new markets in which it operates outside Spain and Portugal, the format will open its stores under the name Skhuaban, a brand which was already in its collections from previous years. As at January, 31st 2007, Kiddy's Class/Skhuaban had 185 stores in Spain, Portugal, Italy, France and Greece. Its selling area reached 35,877 m², increasing by 24% during the financial year.

The sales of Kiddy's Class/Skhuaban were 2.2% of the Group total. In 2006, they increased by 17% to 182 million euros.



Main indicators (millions of euros)

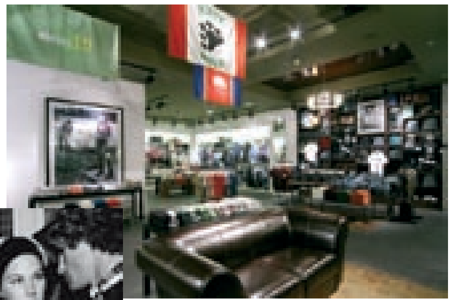
KIDDY'S CLASS/ SKHUABAN	2006	2005	06/05
Net sales	182	155	17%
EBIT	31	29	8%
EBIT margin	17%	19%	-

Pull and Bear

As at January, 31st 2007, Pull and Bear had a total of 467 stores in 27 countries. During the financial year, it increased its commercial network by fifteen stores, including the first shops in Poland, Lithuania, El Salvador and Singapore. With the opening in this last market, it has become the third Inditex concept which has initiated its expansion in the Asia-Pacific Region, after Zara and Massimo Dutti. Italy and Mexico were the international markets with the greatest growth, with seven and six new shops respectively. The total selling area, which the chain raised by 17% in 2006, was 111,429 m^2 at year end. Pull and Bear, whose sales were 6.3% of the Group total, raised its turnover by 17% in 2006, up to 519 million euros.

Main indicators (millions of euros)

PULL AND BEAR	2006	2005	06/05
Net sales	519	445	17%
EBIT	78	75	4%
EBIT margin	15%	17%	-



Massimo Dutti

Massimo Dutti continued its strategy to grow in Asian markets in 2006, initiated in 2005, by opening two new stores in Singapore, one in Thailand and its first premises in Indonesia. In Europe it opened its first stores in Russia - in the cities of Moscow and Saint Petersburg, a market with a high potential growth for the chain. On January, 31st 2007, it had 399 stores in twenty-nine countries, making it the most internationalised chain after Zara. During 2006, Massimo Dutti opened 30 new stores in twelve markets, increasing its selling area by 9% up to 113,604 m^2.

Massimo Dutti sales rose to 614 million euros, 15% more than one year earlier and 7.5% of the Group total.

Main indicators (millions of euros)

MASSIMO DUTTI	2006	2005	06/05
Net sales	614	534	15%
EBIT	81	69	17%
EBIT margin	13%	13%	-

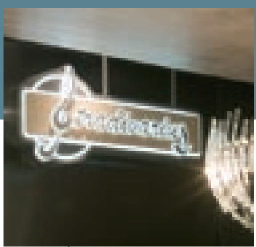
Bershka

Bershka consolidated its position as the second format in terms of contribution to Group sales this year. The turnover achieved, 798 million euros, is 25% up on 2005 and amounts to 9.7% of the total Group sales. The chain's selling area grew by 17%, to 152,327 m^2 on 31st January 2007.

Bershka opened 65 new stores and at year end it had 433 stores in 24 countries, four of them being new markets (Russia, Lithuania, El Salvador and Qatar). The teen fashion format opened stores in eighteen markets during 2006, with especially significant increases in France (eight new stores), Italy (6), Saudi Arabia (6) and Mexico (5).

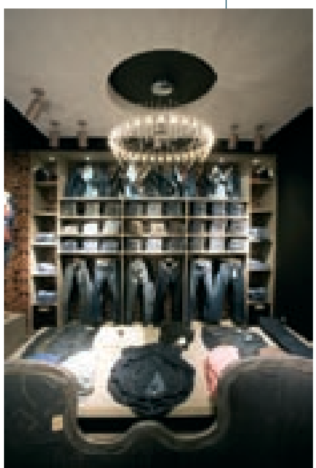
Main indicators (millions of euros)

BERSHKA	2006	2005	06/05
Net sales	798	639	25%
EBIT	131	99	33%
EBIT margin	16%	16%	-



Stradivarius

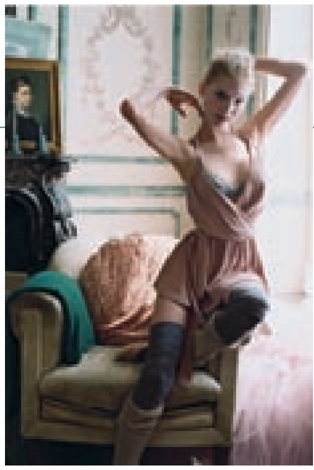
Stradivarius was focused in this fiscal year on the growth in European markets, the main area for expansion in Inditex. Of the forty-one new shops opened up in 2006, thirty-seven did so in eleven European markets. Of these, Italy, Ireland, Poland, Andorra and Slovenia were new markets for Stradivarius. Likewise, the chain increased its stores in the markets of the Middle East and North Africa where it operates with openings in Saudi Arabia, the United Arab Emirates, Lebanon and Morocco. As a consequence of these openings, the selling area was 77,580 m^2, 15% more than the previous year. At 31st January 2007 Stradivarius had 304 stores in 19 countries.



Sales of this format increased by 25%, reaching 428 million euros, representing 5.2% of total Group sales.

Main indicators (millions of euros)

STRADIVARIUS	2006	2005	06/05
Net sales	428	341	25%
EBIT	98	84	17%
EBIT margin	23%	25%	-



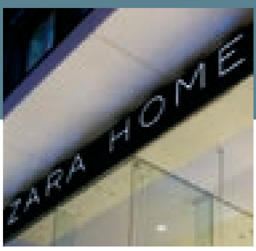
Oysho

Oysho had 201 stores in twelve countries at year end. During the year, it opened forty-seven new stores in nine markets and began its commercial activity in Poland and Qatar. This opening strategy was specially significant on the Italian market, with ten new stores adding up to 21 stores in Italy on January, 31st.

The concept's selling area grew by 30% this financial year, to 27,540 m². Sales reached 165 million euros amounting to 2% of the Group's total. Net sales increased by 54%, versus growth rates of around 50% in previous years.

Main indicators (millions of euros)

OYSHO	2006	2005	06/05
Net sales	165	107	54%
EBIT	39	25	59%
EBIT margin	24%	23%	-



Zara Home

As at January, 31st 2007, Zara Home had a total of 152 stores in 15 countries in Europe, America and the Middle East. A total of 42 stores were opened in 2006, increasing the format's store area by 41% to 36,533 m². The openings took place in ten countries, including the first three stores in the French market, which has given an excellent welcome to the commercial proposals of Zara Home.

During the financial year, the store that was opened in October at Calle Colón in Valencia had a special significance, as this meant that Inditex had opened its three thousandth store in the world.

The sales of Zara Home were 78% higher in 2006 than the previous year, amounting to 139 million euros. This figure represented 1.7% of total sales of Inditex in FY 2006.

Main indicators (millions of euros)

ZARA HOME	2006	2005	06/05
Net sales	139	78	78%
EBIT	18	1	1.192%
EBIT margin	13%	2%	-

Massimo Dutti_Galleria Vittorio Emanuelle II_Milan_Italy

06 Stock Performance

06

The **Market capitalization** of the **company** has **increased** by **almost 196%** since **it** was **first quoted**. The **Board** of **Directors** has **proposed** a **dividend** of **0.84 euros** per share from **the 2006** financial **year.**

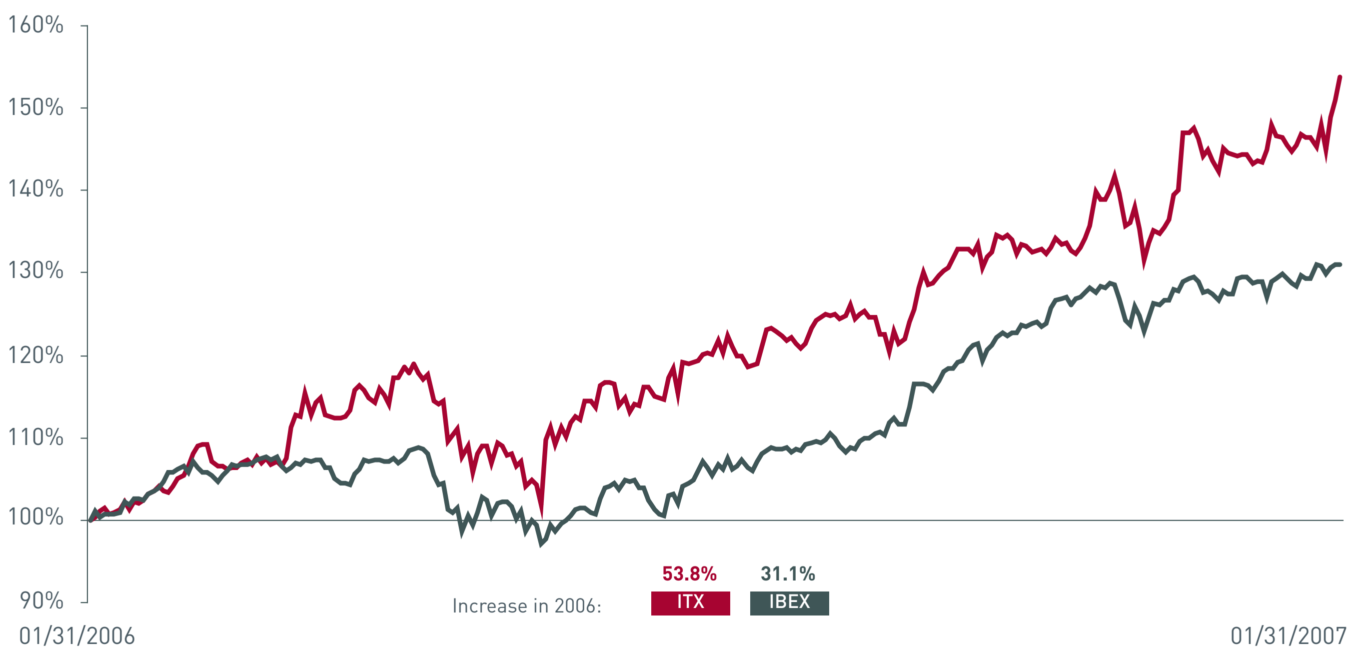
Stock performance

Inditex's shares price increased by 53.8% during 2006, closing at €43.47 per share on January, 31st 2007, the year's highest price. The average traded volume of shares went over the one and a half million per day mark. In the same period, the Spanish reference index, IBEX 35, rose by 31.1%.

Inditex's market capitalisation stood at €27,096 million at year-end, 195.7% more than its initial market value on May, 23rd 2001, as compared with the 51.2% rise experienced by the IBEX 35 during the same period.

In July 2006, the dividend corresponding to the 2005 financial year was paid out at the rate of €0.67 per share, 40% more than the previous year. This payment consisted of an ordinary dividend of €0.52 and an extraordinary dividend of €0.15 per share. In this regard, the Board of Directors proposed, in March 2007, to present to the General Meeting of Shareholders a distribution of €0.84 per share from the 2006 financial year.

Annual performance Inditex vs. IBEX 35

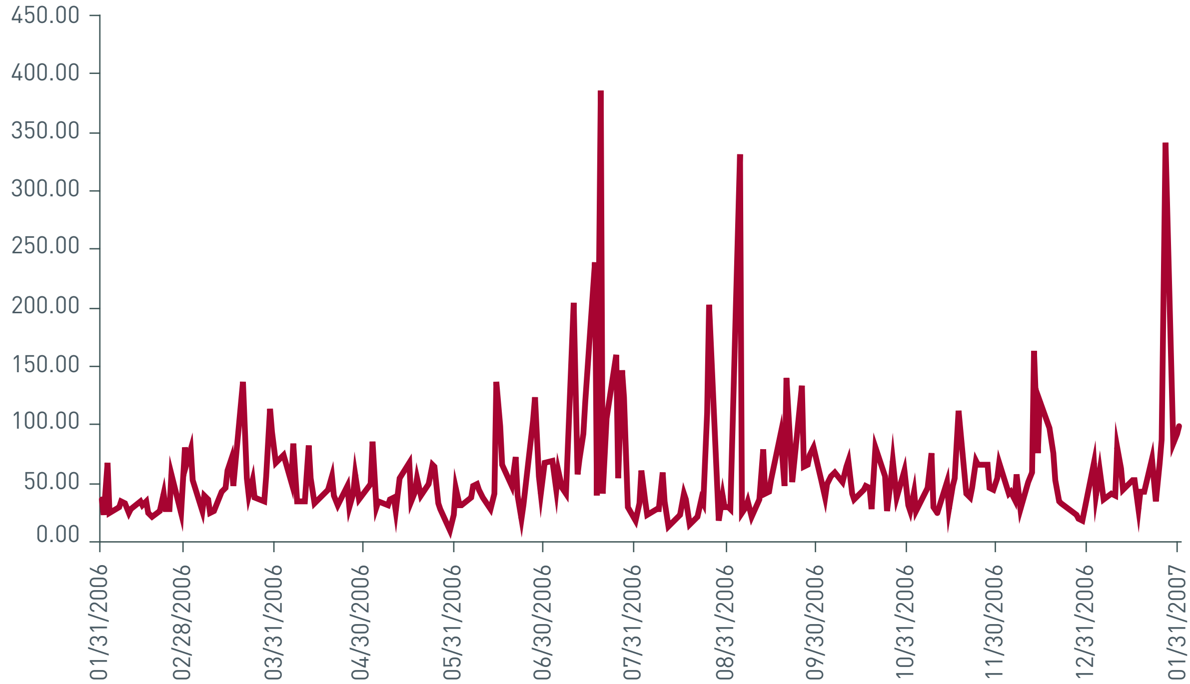


Share price performance in 2006 (in euros)	
January, 31st 2006	28.27
January, 31st 2007	43.47
Var 06/05	53.8%

Annual performance of Inditex's share value

Share price performance from the IPO	
IPO price (May, 23rd 2001):	**14.70 euros**
January, 31st 2007	43.47 euros
Variation January, 31st 2007/IPO	195.7%

Traded volume (millions of euros)



Market Capitalisation at FYE 2006	**€27,096 million**
Market Capitalisation at FYE 2005	**€17,622 million**

Zara_Via Calimala_Florence_Italy

07

Auditors´ Report and Consolidated Annual Accounts

KPMG Auditores S.L.
Fama, 1
15001 A Coruña

Auditors' Report on the Consolidated Annual Accounts

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

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

We have audited the consolidated annual accounts of Industria de Diseño Textil, S.A. (the Parent Company) and subsidiary companies (the Group), which comprise the consolidated balance sheet at 31 January 2007, the consolidated statements of income, cash flow and changes in equity for the year then ended and the notes thereto, the preparation of which is the responsibility of the Parent Company's board of directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the consolidated annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing legislation, these consolidated annual accounts for the year ended 31 January 2007 also include, for each individual caption in the consolidated balance sheet, the consolidated statements of income, cash flow and changes in equity for the year then ended and the notes thereto, comparative figures for the year ended 31 January 2006. We express our opinion solely on the consolidated annual accounts for the year ended 31 January 2007. On 29 March 2006 we issued our unqualified audit report on the consolidated annual accounts for the year ended 31 January 2006.

In our opinion, these consolidated annual accounts for the year ended 31 January 2007 present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiary companies at 31 January 2007 and the consolidated results of their operations, changes in consolidated cash flows and consolidated equity for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with EU-endorsed International Financial Reporting Standards, which have been applied on a basis consistent with that of the year ended 31 January 2006.

The accompanying consolidated directors' report for the year ended 31 January 2007 contains such explanations as the directors consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for the year ended 31 January 2007. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Industria de Diseño Textil, S.A. and subsidiary companies.

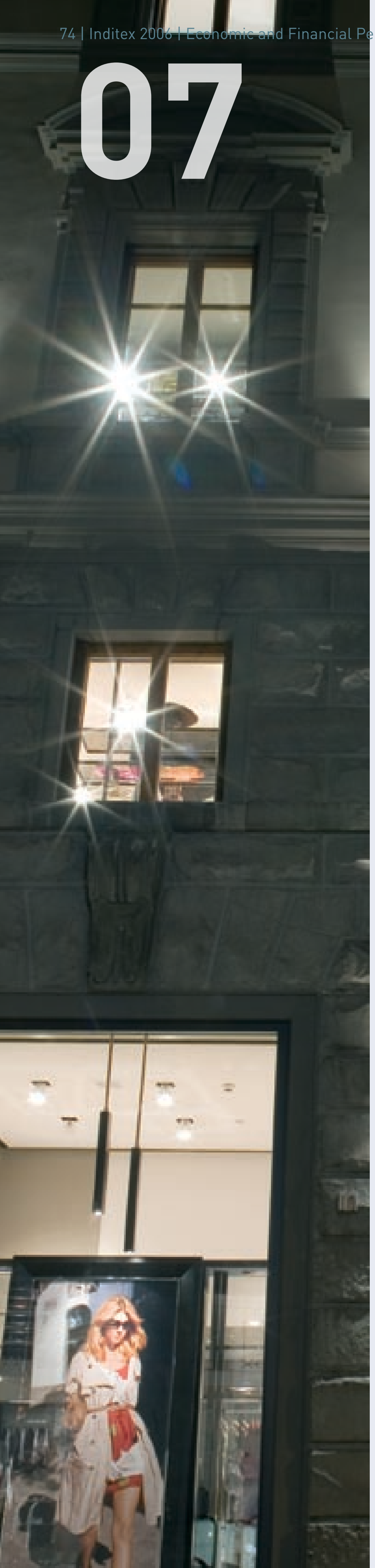
Signed: KPMG AUDITORES, S.L.

Enrique Asla

23 March 2007

KPMG Auditores S.L., firma española miembro de
KPMG International, sociedad suiza.

Inscrita en el Registro Oficial de Auditores de Cuentas con el n.º S0702,
y en el Registro de Sociedades del Instituto de Auditores - Censores
Jurados de Cuentas con el n.º 10.
Reg. Mer. Madrid, T. 11.961, F. 90, Sec. 8, H. M-188.007, Inscrip. 9.ª
N.I.F. B-78510153



07

Inditex Group consolidated annual accounts as at 31 January 2007

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

7.1 Industria de Diseño Textil,S.A. and subsidiary companies
Consolidated income statement

(in thousands of euros)	(notes)	Year 2006	Year 2005
Net sales	(3)	8,196,265	6,740,826
Cost of merchandise	(4)	(3,589,276)	(2,953,073)
Gross profit		**4,606,989**	**3,787,753**
Operating expenses	(5)	(2,800,243)	(2,296,759)
Other net operating expenses and income	(6)	(17,060)	(31,672)
EBITDA		**1,789,686**	**1,459,322**
Amortization and depreciation	(12,13,14)	(433,427)	(365,730)
EBIT		**1,356,259**	**1,093,592**
Financial results	(7)	(14,035)	8,046
Equity accounting losses	(17)	(2,786)	(192)
Income before taxes		**1,339,438**	**1,101,446**
Income tax	(24)	(329,502)	(290,583)
Net income		**1,009,936**	**810,863**
Minorities		8,396	7,701
Net income attributable to the parent		**1,001,540**	**803,162**
Earnings per share, cents	**(8)**	**161**	**129**

7.2 Industria de Diseño Textil,S.A. and subsidiary companies
Consolidated balance sheet

(in thousands of euros)			
Assets	**(notes)**	**01/31/2007**	**01/31/2006**
Current assets		**2,148,332**	**2,046,612**
Cash and cash equivalents	(20)	906,148	988,405
Receivables	(10)	363,635	327,322
Inventories	(11)	823,903	684,392
Income tax receivable	(24)	20,870	30,609
Other current assets		33,776	15,884
Non-current assets		**3,593,830**	**3,156,251**
Property, plant and equipment	(12)	2,788,816	2,410,032
Investment property	(13)	11,851	14,227
Rights over leased assets	(14)	454,196	410,690
Other intangible assets	(14)	15,220	9,269
Goodwill	(15)	98,992	79,094
Financial investments	(16)	33,375	61,021
Investments in associates	(17)	4,446	7,040
Deferred tax assets	(24)	88,851	77,716
Other	(18)	98,083	87,162
Total assets		**5,742,162**	**5,202,863**

(in thousands of euros)			
Liabilities			
Current liabilities		**1,884,741**	**1,850,828**
Trade and other payables	(19)	1,618,825	1,509,526
Financial debt	(20)	145,077	209,192
Income tax payable	(24)	120,839	132,110
Non-current liabilities		**386,817**	**431,162**
Financial debt	(20)	47,314	76,099
Deferred tax liabilities	(24)	104,319	106,735
Provisions	(21)	45,114	41,965
Other non-current liabilities	(22)	190,070	206,363
Net equity		**3,470,604**	**2,920,873**
Net equity attributable to the parent		3,448,377	2,898,878
Net equity attributable to minority interest		22,227	21,995
Total liabilities		**5,742,162**	**5,202,863**

7.3 Industria de Diseño Textil,S.A. and subsidiary companies

Consolidated statement of cash flows

	Year 2006	Year 2005
(in thousands of euros)		
Income before taxes	**1,339,438**	**1,101,446**
Adjustments to income		
Amortization and depreciation	433,427	366,801
Income tax	(329,502)	(290,583)
Deferred tax assets and liabilities	(13,285)	293
Foreign exchange translation differences	271	2,887
Other	61,335	59,481
Funds from operations	**1,491,684**	**1,240,325**
Variation in assets and liabilities		
Inventories	(135,457)	(164,161)
Receivables and other current assets	(51,312)	(69,544)
Current payables	92,426	414,076
Operating working capital	**(94,344)**	**180,370**
Cash flows from operations	**1,397,340**	**1,420,695**
Acquisition of intangible assets investments	(79,101)	(81,736)
Acquisition of tangible assets investments	(783,598)	(701,909)
Acquisition of subsidiaries	(28,688)	(14,002)
Acquisition of other financial investments	(6,114)	(3,735)
Other investments	(16,094)	(27,576)
Proceeds from sales of assets and collections of other non-current assets	26,560	17,078
Cash flows from investing activities	**(887,034)**	**(811,880)**
Variation in non-current financial debt	(28,226)	(25,698)
Variation in non-current non-financial debt	(67,143)	(97,939)
Variation in current financial debt	(64,115)	26,090
Dividends	(417,632)	(301,809)
Other financing activities	0	497
Cash flows from financing activities	**(577,116)**	**(398,859)**
Net (decrease) increase in cash and cash equivalents	(66,810)	209,957
Effect of exchange rate fluctuations on cash and cash equivalents	(15,446)	6,606
Cash and cash equivalents at the opening date	988,405	771,842
Cash and cash equivalents at the closing date	**906,148**	**988,405**

7.4 Industria de Diseño Textil,S.A. and subsidiary companies

Consolidated statements of changes in equity

	Equity attributable to the parent								
(in thousands of euros)									
	Capital	**Share premium**	**Retained earnings**	**Translation differences**	**Own shares**	**Other reserves**	**Equity attributable to the parent**	**Minority interests**	**Net equity**
Balance at 02/01/2005	93,500	20,379	2,224,933	(16,620)	(7,467)	61,353	2,376,078	17,222	2,393,300
Transfers	-	-	(7,579)	7,579	-	-	-	-	-
Other	-	-	(4,712)	-	-	(6,864)	(11,576)	-	(11,576)
Exchange rate effect	-	-	-	28,815	-	-	28,815	(119)	28,696
Net income recognized in equity	**-**	**-**	**(12,291)**	**36,394**	**-**	**(6,864)**	**17,239**	**(119)**	**17,120**
Net income	-	-	803,162	-	-	-	803,162	7,701	810,863
Total net income recognized	**-**	**-**	**790,871**	**36,394**	**-**	**(6,864)**	**820,401**	**7,582**	**827,983**
Dividends	-	-	(298,098)	-	-	-	(298,098)	(3,711)	(301,809)
Delivery of own shares	-	-	-	-	497	-	497	-	497
Acquisition of entities	-	-	-	-	-	-	-	902	902
Balance at 01/31/2006	**93,500**	**20,379**	**2,717,706**	**19,774**	**(6,970)**	**54,489**	**2,898,878**	**21,995**	**2,920,873**
(in thousands of euros)									
Balance at 02/01/2006	93,500	20,379	2,717,706	19,774	(6,970)	54,489	2,898,878	21,995	2,920,873
Transfers	-	-	3,092	(3,092)	-	-	-	-	-
Other	-	-	17,929	-	-	-	17,929	-	17,929
Exchage rate effect	-	-	-	(52,338)	-	-	(52,338)		(52,338)
Restatement due to inflation	-	-	-	-	-	-	-	117	117
Net income recognized in equity	**-**	**-**	**21,021**	**(55,430)**	**-**	**-**	**(34,409)**	**117**	**(34,292)**
Net income	-	-	1,001,540	-	-	-	1,001,540	8,396	1,009,936
Total net income recognized	**-**	**-**	**1,022,561**	**(55,430)**	**-**	**-**	**967,131**	**8,513**	**975,644**
Dividends	-	-	(417,632)	-	-	-	(417,632)	(8,281)	(425,913)
Balance at 01/31/2007	**93,500**	**20,379**	**3,322,635**	**(35,656)**	**(6,970)**	**54,489**	**3,448,377**	**22,227**	**3,470,604**

7.5 Notes to the consolidated annual accounts of the Inditex Group as at 31 January 2007

1 Activity and description of the Group

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

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

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

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

At 31 January 2007 the different Group formats have stores in 64 countries, as follows:

Number of stores

	Company-managed	Franchises	Total
Spain	1,594	34	1,628
Rest of Europe	904	129	1,033
America	244	8	252
Rest of the world	30	188	218
Total	**2,772**	**359**	**3,131**

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

2 Accounting principles

These consolidated annual accounts have been prepared on the basis of historical cost, with the exception of the valuation of derivative financial instruments, which are stated at fair value.

a) Statement of compliance

The consolidated annual accounts of the Inditex Group for 2006 have been prepared by the board of directors of the Company and will be submitted for approval at the corresponding annual general shareholders' meeting. The directors consider that the consolidated annual accounts will be approved without changes. These annual accounts have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (hereinafter EU-IFRS or IFRS), in compliance with Regulation (EC) No. 1606/2002 of the European Parliament.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2006 will hereinafter be referred to as the 2005 period or year, the period ended 31 January 2007 as 2006, and so on.

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

The individual annual accounts of the parent company (Inditex) for 2006 have been prepared by the board of directors in a separate document.

b) Basis of presentation

These consolidated annual accounts present fairly the shareholders' equity and financial position of the Inditex Group as at 31 January 2007, as well as the results of its operations, changes in equity and cash flows for the year then ended.

The consolidated annual accounts for 2006 have been prepared on the basis of the accounting records of Inditex and the remaining group companies.

Note 33 describes the accounting policies applied on a consistent basis for the accounting periods included in these consolidated annual accounts.

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

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

c) Basis of consolidation

I. Subsidiaries

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

Net identifiable assets acquired and certain or contingent liabilities assumed as part of a business combination are stated at fair value at the date of acquisition, providing this has taken place after 1 January 2004, the date of transition to EU-IFRS. Any excess over the fair value of net identifiable assets acquired and certain or contingent liabilities assumed at that date is recognized as goodwill, and otherwise is recorded as income for the year. Acquisitions of entities prior to this date were recognized in accordance with generally accepted accounting principles in Spain once all necessary corrections and adjustments at the transition date were taken into account. In accordance with EU-IFRS, goodwill is not amortized but is systematically tested for impairment. The interest held by minority shareholders is established proportionally to the fair value of the recognized assets and liabilities. Any loss attributable to minority shareholders that exceeds their interest is assumed by the Group in the preparation of its consolidated annual accounts. Minority interest in the equity and results of subsidiaries is presented under “Net equity attributable to minority interest” and “Profit attributable to minority interest”, respectively. A list of subsidiaries is presented in Appendix I.

II. Joint ventures

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

III. Associates

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

IV. Harmonization of criteria

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

V. Transactions eliminated on consolidation

Intragroup balances and transactions, and any results not yet realized in transactions with third parties, are eliminated in the consolidation process. In the case of jointly controlled entities, balances, revenues and expenses between intragroup companies, and any results not yet realized in transactions with third parties, are eliminated in the consolidation process to the extent of the Group's interest in the entity. Unrealized results arising from transactions with associates are eliminated from the consolidated annual accounts to the extent of the Group's interest in the entity.

VI. Financial statements of foreign operations

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

- Assets and liabilities are translated to euro at foreign exchange rates ruling at the balance sheet date.

- Items that comprise the net equity of these entities are translated to euro at historical exchange rates (or, for accumulated results, at the average exchange rate for the year in which they were generated).

- Revenues and expenses are translated to euro at the average exchange rate for the year.

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

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

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

VII. Financial statements in hyperinflationary countries

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

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

Entities with a closing date different to that of the consolidated accounts have been consolidated with the financial statements at their closing date (31 December 2006; see Appendix I). Significant operations carried out between the closing date of these subsidiaries and that of the consolidated accounts are harmonized accordingly.

IX. Changes to the consolidated group

The following entities were incorporated into the consolidated group during the year:

Stradivarius Ireland, Ltd.
Stradivarius France, S.A.R.L.
Stradivarius Italia, S.R.L.
Zao Stockmann-Krasnoselskaya
Massimo Dutti CIS
Bershka CIS
Pull & Bear CIS
Stradivarius CIS
Oysho CIS
ITX Trading, S.A.
Skhuaban France, S.A.R.L.
Skhuaban Italia, S.R.L.
Skhuaban Hellas, S.A.
ITX RE, Ltd.
Zara Commercial Beijing, Ltd.
Massimo Dutti, S.A.
Massimo Dutti Hong Kong, Ltd.
ITX E-Commerce Ireland, Ltd

The Russian entity Zao Stockmann-Krasnoselskaya was consolidated for the first time in June 2006 following the acquisition of 100% of its share capital (see note 15). This entity held the Zara store franchise in Russia. In the same period, the social denomination has been changed to Zao Zara CIS.

The entities known as Textil Rase, S.A. and Kenner, S.A. at 31 January 2006 have changed their names to Zara Home Logística and Stradivarius Logística, respectively. On the other hand, the company named Young Fashion, Sp. Zo.o. has changed to Zara Polska, Sp. Zo.o.

The incorporations referred to in the previous paragraphs have not had a significant impact on the consolidated annual accounts for 2006

3 Net Sales

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

Details of this caption for 2006 and 2005 are as follows:

	2006	2005
Net sales in Company-managed stores	7,587,355	6,251,746
Net sales to franchises	523,295	420,201
Other sales and services rendered	85,615	68,879
Total	**8,196,265**	**6,740,826**

4 Cost of merchandise

Details of this caption for 2006 and 2005 are as follows:

	2006	2005
Raw materials and consumables	3,728,787	3,119,595
Change in inventories	(139,511)	(166,522)
Total	**3,589,276**	**2,953,073**

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

5 Operating expenses

Details of operating expenses are as follows:

	2006	2005
Personnel expenses	1,250,845	1,036,576
Operating leases (note 25)	717,915	577,041
Other operating expenses	831,483	683,142
Totales	**2,800,243**	**2,296,759**

At 31 January 2007 the Group had a total of 69,240 employees (58,190 at 31 January 2006). Note 28 (employee benefits) provides additional information on personnel expenses.

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

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

6 Other net operating expenses and income

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

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

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

a) Subsidiaries domiciled in Germany

At 31 January 2006 the Group had a call option on 50% of the share capital of Zara Deutschland, GmbH; Oysho Deutschland, GmbH; and Massimo Dutti Deutschland, GmbH, held by Otto GmbH and Co. KG, which in turn had a reciprocal put option with the Group. These options could be exercised over the term of the agreement between the parties, had no premium and the strike price depended mainly on the contributions made by Otto GmbH and Co. KG to the shareholders' equity of each respective subsidiary and the number of stores operated by the subsidiary if and when either of the options was exercised.

During the last quarter of 2005, Inditex communicated to Otto GmbH and Co. KG its intention to increase its investment in the subsidiaries domiciled in Germany. An agreement was reached between the parties to partially exercise the option in favor of Inditex and amend the agreements signed in prior years. As a result of the agreement reached and formalized in 2006, Inditex's investment in Zara Deutschland, GmbH has risen to 78%. Furthermore, on the same date the Group acquired

50% of the stake held by Otto GmbH and Co. KG in the remaining companies domiciled in Germany.

At 31 January 2007 the Group has a call option on the remaining 22% of the share capital of Zara Deutschland, GmbH held by Otto GmbH and Co. KG, which in turn has a reciprocal put option with Industria de Diseño Textil, S.A.

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

b) Subsidiaries domiciled in Italy

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

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

In December 2006 the Group exercised its call option on the 20% of the shares of Zara Italia, S.R.L., Massimo Dutti Italia, S.R.L., Bershka Italia, S.R.L., Pull & Bear Italia, S.R.L. and Oysho Italia, S.R.L., settling the corresponding liability. Consequently, no amount is shown in the balance sheet at 31 January 2007 in relation to this option, which was extinguished when exercised.

c) Subsidiaries domiciled in Mexico

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

7 Financial results

Details of financial results in the consolidated income statements for 2006 and 2005 are as follows:

	2006	2005
Financial income	20,789	24,729
Financial expenses	(17,272)	(20,928)
Net foreign exchange translation differences	(17,552)	4,245
Total	**(14,035)**	**8,046**

Financial income and expenses mainly comprise interest accrued on the Group's financial assets and liabilities during the year (see note 20). Net foreign exchange translation differences are principally due to fluctuations in the currencies with which the Group operates (see note 27) between when income, expenses, acquisitions or disposals of assets are recognized and when the corresponding assets or liabilities are realized or settled under applicable accounting principles.

8 Earnings per share

Basic earnings per share were calculated based on the net profit for the year divided by the weighted average number of ordinary shares in circulation during the year, excluding the average number of parent company shares held by the Group (see note 23), which in 2006 and 2005 totaled 620,941,017 and 620,910,527, respectively.

The Group has not carried out any operations which would give rise to a significant impact in diluted earnings per share. Accordingly, diluted and basic earnings per share are the same.

9 Segment reporting

Business segments

The principal activity of the Inditex Group comprises the clothing, footwear, accessories and household textile products retailing through stores of several commercial concepts targetting different segments od audience. These commercial formats are managed independently in such a way that each constitutes a business segment which is subject to risks and rewards different to those experienced by the rest of the Group, although each carries out its activity in the same sector.

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

Geographical segments

All Inditex Group commercial formats operate in different markets with varying economic, commercial and legal environments, and are therefore subject to different risks and rewards. The four geographical segments of the Group's activities –Spain, Rest of Europe, the Americas, and Asia and the Rest of the World– are determined based on the similarity of commercial, economic and political conditions and the proximity of operations. In the presentation of information by geographical segment, operating income is based on the geographical location of customers and segment assets are based on the geographical location of assets.

Primary and secondary segments

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

Details of the Inditex Group by segments are as follows:

Primary segments

Year 2005

	Zara	Rest of formats	Eliminations on consolidation	Total
Total net sales	4,691,088	2,302,739	-	6,993,827
Inter-segment net sales	250,330	2,671	(253,001)	0
Net sales to third parties	4,440,759	2,300,067	-	6,740,826
Segment result	712,128	381,464	-	1,093,592
Segment assets	2,781,173	1,619,905	-	4,401,078
Segment liabilities	1,279,959	584,630	-	1,864,589
Segment investments	535,397	297,214	-	832,609
Amortization and depreciation	246,635	119,095	-	365,730
Expenses without cash outflow	23,588	5,454	-	29,042
ROCE	41%	42%	-	41%
Number of stores	852	1,840	-	2,692

Year 2006

	Zara	Rest of formats	Eliminations on consolidation	Total
Total net sales	5,644,966	2,845,200	-	8,490,167
Inter-segment net sales	292,809	1,093	(293,901)	0
Net sales to third parties	5,352,158	2,844,108	-	8,196,265
Segment result	879,695	476,565	-	1,356,259
Segment assets	2,954,430	2,015,448	-	4,969,878
Segment liabilities	1,410,548	547,781	-	1,958,329
Segment investments	639,623	328,855	-	968,478
Amortization and depreciation	295,648	137,780	-	433,427
Expenses without cash outflow	50,086	4,903	-	54,989
ROCE	40%	50%	-	43%
Number of stores	990	2,141	-	3,131

Year 2005

	Zara	Kiddy´s Class	Pull & Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Eliminations on consolidation	Total
Total net sales	4,691,088	155,509	445,585	534,121	640,997	341,369	107,030	78,128	-	6,993,827
Inter-segment net sales	250,330	106	460	319	1,548	238	1	0	(253,001)	0
Net sales to third parties	4,440,759	155,404	445,125	533,802	639,449	341,131	107,029	78,128	-	6,740,826
Segment result	712,128	28,818	75,313	68,796	98,940	83,651	24,528	1,417	-	1,093,592
Segment assets	2,781,173	103,639	282,098	454,629	454,502	188,345	79,586	57,106	-	4,401,078
Segment liabilities	1,279,959	19,572	109,356	142,074	168,802	89,929	28,434	26,464	-	1,864,589
Segment investments	535,397	12,411	54,381	89,039	72,956	24,599	20,909	22,918	-	832,609
Amortization and depreciation	246,635	5,578	21,644	37,845	28,605	12,372	5,272	7,778	-	365,730
Expenses without cash outflow	23,588	-122	1,053	2,826	791	402	469	35	-	29,042
ROCE	41%	67%	47%	27%	42%	82%	50%	3%	-	41%
Number of stores	852	149	427	369	368	263	154	110	-	2,692

Year 2006

	Zara	Kiddy´s Class	Pull & Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Eliminations on consolidation	Total
Total net sales	5,644,966	182,045	519,082	614,490	798,210	427,648	164,604	139,121	-	8,490,167
Inter-segment net sales	292,809	122	278	312	376	0	0	5	(293,901)	0
Net sales to third parties	5,352,158	181,923	518,804	614,178	797,835	427,648	164,604	139,116	-	8,196,265
Segment result	879,695	31,006	78,030	80,683	131,294	98,205	39,021	18,326	-	1,356,259
Segment assets	2,954,430	130,918	329,879	550,537	541,537	234,605	126,653	101,319	-	4,969,878
Segment liabilities	1,410,548	11,692	99,417	112,606	171,318	83,463	29,237	40,047	-	1,958,329
Segment investments	639,623	23,293	55,642	67,202	76,645	46,099	32,169	27,805	-	968,478
Amortization and depreciation	295,648	6,997	25,819	37,041	35,820	17,780	9,362	4,961	-	433,427
Expenses without cash outflow	50,086	454	1,284	1,029	1,188	73	547	328	-	54,989
ROCE	40%	56%	43%	33%	55%	86%	55%	33%	-	43%
Number of stores	990	185	467	399	433	304	201	152	-	3,131

The segment result refers to the operating income (EBIT) of the segment. In accordance with IAS 14, and with a view to maintaining the coherence between the figures in the balance sheet and income statement, segment assets and liabilities indicated in the table above exclusively refer to those used in or derived directly from the activity, and do not include assets or liabilities relating to income tax, accounts receivable or payable, loans, investments or any other item that generates financial results, as these are not included in the segment result. Income, expenses, assets and liabilities which are considered corporate in nature or as belonging to the group of segments as a whole have been assigned to each segment in accordance with criteria considered reasonable by Group management.

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

Secondary segments

Net sales to third parties

	2006	2005
Spain	3,417,631	3,039,145
Rest of Europe	3,349,580	2,608,774
America	940,701	757,651
Rest	488,352	335,256
Total	**8,196,265**	**6,740,826**

	Net assets		Investment	
	2006	2005	2006	2005
Spain	1,935,091	1,559,229	427,735	268,700
Rest of Europe	2,542,954	2,364,690	433,457	448,471
America	378,175	382,695	80,091	75,236
Rest	113,657	94,464	27,195	40,203
Total	**4,969,878**	**4,401,078**	**968,478**	**832,609**

10 Receivables

Details of this caption at 31 January 2007 and 2006 are as follows:

	2006	2005
Trade receivables	62,047	49,555
Sales to franchises	90,859	73,015
Public entities	144,319	149,196
Other current receivables	66,410	55,556
Total	**363,635**	**327,322**

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

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

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

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

11 Inventories

Details at 31 January 2007 and 2006 are as follows

	2006	2005
Raw materials and consumables	38,661	35,735
Work in progress	18,058	17,074
Finished goods for sale	767,184	631,583
Total	**823,903**	**684,392**

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

12 Tangible assets

Details of and movement in the “Tangible assets” caption of the consolidated balance sheet are as follows:

	Land and buildings	Leasehold improvements, machinery and furniture	Other tangible assetst	Advances and work in progress	Total
Cost					
Balance at 02/01/2005	590,619	2,253,883	98,791	84,283	3,027,576
Acquisitions	1,977	607,823	15,291	108,221	733,312
Acquisition of subsidiaries	-	8,614	-	-	8,614
Disposals	(13,392)	(96,583)	(1,987)	(16,084)	(128,046)
Transfers	26,143	43,824	(1,741)	(71,271)	(3,045)
Effect of movements in foreign exchange	1,585	25,130	1,036	942	28,693
Balance at 01/31/2006	**606,932**	**2,842,691**	**111,390**	**106,091**	**3,667,104**
Balance at 02/01/2006	606,932	2,842,691	111,390	106,091	3,667,104
Acquisitions	37,827	580,093	29,703	184,616	832,239
Acquisition of subsidiaries	-	16,068	-	-	16,068
Disposals	(13,974)	(129,454)	(1,678)	(13,367)	(158,473)
Transfers	13,909	47,887	1,327	(73,024)	(9,901)
Effect of movements in foreign exchange	(1,238)	(24,088)	(815)	(6,365)	(32,506)
Balance at 01/31/2007	**643,456**	**3,333,197**	**139,927**	**197,951**	**4,314,531**
Depreciation					
Balance at 02/01/2005	112,057	846,553	52,052	-	1,010,663
Depreciation charge for the year	11,925	275,252	11,645	-	298,822
Acquisition of subsidiaries	-	-	-	-	-
Disposals	(3,129)	(75,030)	(1,575)	-	(79,734)
Transfers	726	1,844	(738)	-	1,832
Effect of movements in foreign exchange	38	(1,212)	708	-	(466)
Balance at 01/31/2006	**121,617**	**1,047,407**	**62,092**	**-**	**1,231,117**
Balance at 02/01/2006	121,617	1,047,407	62,092	-	1,231,117
Depreciation charge for the year	16,710	347,777	15,513	-	380,000
Disposals	(1,638)	(90,635)	(1,337)	-	(93,610)
Transfers	(773)	1,742	(3,875)	-	(2,906)
Effect of movements in foreign exchange	(153)	(13,972)	(259)	-	(14,384)
Balance at 01/31/2007	**135,763**	**1,292,319**	**72,134**	**-**	**1,500,216**
Impairment losses (note 33-g)					
Balance at 02/01/2005	-	14,763	-	-	14,763
Impairment charge	-	13,271	-	-	13,271
Applications	-	(2,078)	-	-	(2,078)
Balance at 01/31/2006	**-**	**25,956**	**-**	**-**	**25,956**
Balance at 02/01/2006	-	25,956	-	-	25,956
Impairment charge	-	8,596	-	-	8,596
Applications	-	(9,053)	-	-	(9,053)
Balance at 01/31/2006	**-**	**25,499**	**-**	**-**	**25,499**
Net carrying amount					
Balance at 01/31/2006	485,315	1,769,328	49,298	106,091	2,410,031
Balance at 01/31/2007	507,693	2,015,379	67,793	197,951	2,788,816

The "Other tangible assets" caption includes, inter alia, information technology equipment and vehicles.

Fully depreciated items of tangible assets include certain items, mainly machinery, installations and furniture, whose gross cost value amounted to euros 284,344 thousand and euros 237,601 thousand at 31 January 2007 and 2006, respectively.

The Group contracts insurance policies to cover potential risks affecting items under tangible assets.

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

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

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

13 Investment property

Investment property mainly corresponds to premises and other properties leased to third parties. Movement in this caption during 2006 and 2005 is as follows:

Cost	2006	2005
Opening balance	19,644	13,543
Acquisitions	34	6,101
Closing balance	**19,678**	**19,644**

Amortization and depreciation	2006	2005
Opening balance	5,417	3,008
Acquisitions	2,410	2,409
Closing balance	**7,827**	**5,417**

	2006	2005
Net carrying amount	11,851	14,227

The total market value of investment property at 31 January 2007 is approximately euros 23 million.

During 2006, euros 1,747 thousand (euros 1,685 thousand in 2005) of rental income on these properties has been included under Net sales – Other sales and services rendered (see note 3) in the consolidated income statement.

14 Rights over leased premises and other intangible assets

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

Other intangible assets include amounts paid for the registration and use of group brand names and the external cost of software applications. Details of and movement in other intangible assets during 2006 and 2005 are as follows:

	Rights over leased property	Industrial property	Software	Advances and other intangible assets	Total
Cost					
Balance at 02/01/2005	500,940	17,173	5,753	3,068	526,934
Acquisitions	68,514	1,401	1,277	444	71,636
Disposals	(7,160)	-	(12)	(118)	(7,290)
Transfers	2,631	-	-	(673)	1,958
Effect of movements in foreign exchange	6,762	(4)	203	-	6,961
Balance at 01/31/2006	**571,687**	**18,570**	**7,221**	**2,721**	**600,199**
Balance at 02/01/2006	571,687	18,570	7,221	2,721	600,199
Acquisitions	80,444	1,991	1,157	4,891	88,483
Disposals	(10,577)	(4)	(3,406)	(321)	(14,308)
Transfers	19,667	(797)	797	989	20,656
Effect of movements in foreign exchange	(4,306)	-	2,135	-	(2,171)
Balance at 01/31/2006	**656,915**	**19,760**	**7,904**	**8,280**	**692,859**
Amortization					
Balance at 02/01/2005	132,848	10,772	3,721	2,403	149,739
Amortization for the year	34,826	1,082	906	504	37,318
Disposals	(4,833)	-	(5)	(202)	(5,040)
Transfers	(2,700)	-	-	-	(2,700)
Effect of movements in foreign exchange	463	(1)	63	-	530
Balance at 01/31/2006	**160,604**	**11,853**	**4,685**	**2,705**	**179,847**
Balance at 02/01/2006	160,604	11,853	4,685	2,705	179,847
Amortization for the year	45,931	1,042	797	170	47,940
Disposals	(645)	(1)	(354)	-	(1,000)
Transfers	754	(280)	280	-	754
Effect of movements in foreign exchange	(4,295)	-	(173)	-	(4,468)
Balance at 01/31/2007	**202,349**	**12,614**	**5,235**	**2,875**	**223,073**
Impairment losses (note 35-g)					
Balance at 02/01/2005	1,460	-	-	-	1,460
Impairment charge	(1,067)	-	-	-	(1,067)
Balance at 01/31/2006	**393**	**-**	**-**	**-**	**393**
Balance at 02/01/2006	393	-	-	-	393
Applications	(23)				(23)
Balance at 01/31/2007	**370**	**-**	**-**	**-**	**370**
Net carrying amount					
Balance at 01/31/2006	410,690	6,717	2,536	16	419,959
Balance at 01/31/2007	**454,196**	**7,146**	**2,669**	**5,405**	**469,416**

15 Goodwill

Details of and movement in goodwill during 2006 and 2005 are as follows:

	2006	2005
Opening balance	79,094	68,777
Acquisitions	19,822	10,983
Other	76	(666)
Closing balance	**98,992**	**79,094**

Subsidiary	2006	2005
Stradivarius España, S.A.	53,253	53,253
BCN Diseños, S.A. de C.V.	14,934	14,858
Zara Polska, Sp. Zo.o.	10,983	10,983
Zao Zara Cis	19,822	-
Closing balance	**98,992**	**79,094**

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

In 2005 Inditex acquired a 51% share in the Polish company previously named Young Fashion Sp. Zo.o. (currently, Zara Polska, Sp. Zo.o.), which until then held the franchise rights to Zara in that country, and irrevocably undertook to acquire an additional 29% in February 2008. The voting rights of 80% of share capital had already been acquired by Inditex, for which it paid approximately euros 14,582 thousand in August 2005, although legal ownership of the aforementioned 29% of shares will remain within the minority interest of Zara Polska, Sp. Zo.o. until the agreed date.

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

In 2006 Inditex acquired 100% of the share capital of the Russian company previously named Zao Stockmann-Kranoselskaya (currently, ZAO Zara CIS), which until then held the franchise rights to Zara in that country, for an amount of approximately euros 29,165 thousand. The contribution to net profit since its incorporation into the Group and up to 31 January 2007 amounts to euros 8,425 thousand.

These acquisitions had the following effect on the Group's assets and liabilities in the corresponding years:

	2006	2005
	Zao Zara Cis	Zara Polska, Sp. Zo.o.
Tangible assets	16,068	8,614
Other non-current assets	7	218
Cash and cash equivalents	478	580
Inventories	4,054	2,361
Other current assets	4,120	252
Current liabilities	(6,521)	(3,349)
Non-current liabilities	(8,862)	(4,187)
Net identifiable assets and liabilities	9.344	4,489
Goodwill	19,822	10,983
Cost of acquisition	29,166	15,472
Amount disbursed	29,166	14,582
Cash acquired	(478)	(580)
Net cash outflow	28,688	14,002

Goodwill arising from the acquisition of the franchises in Poland and Russia relates to the amount of intangible assets that do not comply with the requirements established in IFRS 3 for separate recognition. The Group determines the value in use of the aforementioned cash generating units on the basis of budgets approved by management and future estimated cash flows. To date it has not been considered necessary to recognize any amount in relation to impairment (note 33-g).

16 Financial investments

Details of and movement in financial investments during 2006 and 2005 are as follows:

	Investment securities	Investments in EIG's	Bank deposits	Loans and other credit facilities	Total
Balance at 02/01/2005	5,616	35,561	8,546	3,747	53,470
Acquisitions	100	-	2,455	21,246	23,801
Reductions	-	(13,383)	-	(66)	(13,449)
Transfer to current assets	-	-	-	(2,576)	(2,576)
Other	(225)	-	-	-	(225)
Balance at 01/31/2006	**5,491**	**22,178**	**11,001**	**22,351**	**61,021**

Balance at 02/01/2006	5,491	22,178	11,001	22,351	61,021
Acquisitions	-	-	2,782	1,242	4,024
Reductions	-	(11,535)	-	(20,135)	(31,670)
Transfer to current assets	-	-	-	-	-
Other	-	-	-	-	-
Balance at 01/31/2007	**5,491**	**10,643**	**13,783**	**3,458**	**33,375**

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

At 31 January 2006, "Loans and other credit facilities" included an amount of euros 20 million extended to L'Innominato, S.p.A., which held 20% of the share capital of Zara Italia, S.r.l. and other subsidiaries domiciled in Italy. This credit facility has been offset with the amounts payable upon the exercising of the reciprocal options by Inditex in 2006 (note 6).

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

17 Investments in associate companies

Investments in associates consist of Inditex's 39.97% stake in Fibracolor, S.A. This company renders services to other companies of the Inditex Group and its principal activity is the dyeing and painting of all types of fabrics as well as other related finishing processes.

Movement in this caption during 2006 and 2005 is as follows:

	2006	2005
Opening balance	7,040	7,232
Loss of the year	(2,786)	(192)
Other	192	0
Closing balance	**4,446**	**7,040**

The main shareholders of Fibracolor, S.A. are Inditex, which holds 39.9% of the share capital, and Empresa de Promoció i Localització Industrial de Catalunya, S.A. (EPLICSA), a public company with a 25.2% stake. The remaining shares are divided among other shareholders, none of which hold more than 7% of share capital.

In accordance with agreements in place between the Fibracolor shareholders, EPLICSA has the right to sell its 25.2% stake in this company to the other shareholders. As a result of this, Inditex could hold a majority of the voting rights in this company. The investment in Fibracolor, S.A. has been classified as an investment in an associate, as Inditex is understood to exercise no control over this company.

A summary of the financial information of Fibracolor, S.A. at the 2006 and 2005 closing dates (in thousands of euros) is as follows:

	2006 (*)	2005 (*)
Assets	60,580	60,694
Liabilities	40,324	37,130
Equity	20,256	23,564
Income	24,565	29,071
Net loss	(1,805)	(481)

(*) Unaudited figures

18 Other non-current assets

Details of and movement in this caption of the consolidated balance sheet during 2006 and 2005 are as follows:

	Guarantees	Other	Total
Balance at 02/01/2005	61,740	10,151	71,891
Acquisitions	16,899	4,661	21,560
Disposals	(5,206)	-	(5,206)
Loss for the year	-	(619)	(619)
Transfers	134	-	134
Effect of movements in foreign exchange	(598)	-	(598)
Balance at 01/31/2006	**72,969**	**14,193**	**87,162**
	Guarantees	**Other**	**Total**
Balance at 02/01/2006	72,969	14,193	87,162
Additions	11,978	4,968	16,946
Disposals	(926)	-	(926)
Loss for the year	-	(841)	(841)
Transfers	(37)	-	(37)
Effect of movements in foreign exchange	(2,807)	(1,414)	(4,221)
Balance at 01/31/2007	**81,177**	**16,906**	**98,083**

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

19 Payables

Details of this caption of the 2006 and 2005 consolidated balance sheets are as follows:

	2006	2005
Trade payables	1,183,009	992,300
Trade payables due to associates	91	41
Personnel	97,038	87,703
Public entities	242,209	283,467
Other current payables	96,479	146,015
Total	**1,618,825**	**1,509,526**

20 Net financial position

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

	2006	2005
Cash in hand and at banks	403,770	444,456
Short-term deposits	66,839	359,070
Fixed income securities	435,539	184,879
Total cash and cash equivalents	**906,148**	**988,405**

Details of group debt with banks are as follows:

	31/01/2007			31/01/2006		
	Current	Non-current	Total	Current	Non-current	Total
Loans	42,938	1,342	44,280	167,922	56,621	224,543
Credit facilities	97,394	34,129	131,523	32,799	-	32,799
Finance leases	3,654	11,843	15,497	6,755	13,302	20,057
Subscribed shares	-	-	-	-	6,176	6,176
Other financial debt	1,091	-	1,091	1,716	-	1,716
	145,077	**47,314**	**192,391**	**209,192**	**76,099**	**285,291**

At 31 January 2007 the Group has a drawdown limit of euros 691,692 thousand on its credit facilities (euros 482,633 thousand at 31 January 2006).

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

Financial debt is stated in the following currencies:

	2006
Euro	51,519
US Dollar	27,143
Other European currencies	41,515
Other American currencies	42,765
Other currencies	29,449
	192,391

The maturity of group debt with banks at 31 January 2007 and 2006 is as follows:

	2006	2005
Less than one year	145,077	209,192
Between one and five years	47,314	76,098
More than five years	-	-
	192,391	**285,290**

21 Provisions

Details of and movement in this caption of the consolidated balance sheets during 2006 and 2005 are as follows:

	Pensions and similar obligations with personnel	Other provisions	Total
Balance at 02/01/2006	4,307	37,658	41,965
Provisions made during the year	1,597	6,379	7,976
Provisions used during the year	(81)	(3,894)	(3,975)
Transfers	-	85	85
Effect of movements in foreign exchange	111	(1,048)	(937)
Balance at 01/31/2007	**5,934**	**39,180**	**45,114**

Provision for pensions and similar obligations with personnel

In accordance with prevailing collective labor agreements, certain group companies are obliged to pay retirement bonuses. The Group has created a provision to cover the liability corresponding to the estimated accrued portion at the closing date (see note 28).

Provision for liabilities

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

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

22 Other non-current liabilities

Details of and movement in this caption of the consolidated balance sheets during 2006 and 2005 are as follows:

	Options with partners	Lease incentives	Non-current payables	Other	Total
Balance at 02/01/2005	121,921	78,377	1,144	5,679	207,121
Acquisitions	32,221	42,537	-	8,843	83,601
Changes through profit or loss	31,268	(6,879)	-	-	24,389
Transfers of assets	(39,721)	-	-	-	(39,721)
Disposals	(67,451)	-	(1,144)	-	(68,595)
Effect of movements in foreign exchange	(432)	-	-	-	(432)
Balance at 01/31/2006	**77,806**	**114,035**	**-**	**14,522**	**206,363**
Balance at 02/01/2006	77,806	114,035	-	14,522	206,363
Acquisitions	7,700	44,589	-	-	52,289
Changes through profit or loss	38,786	(8,027)	-	-	30,759
Disposals	(94,910)	-	-	(5,312)	(100,222)
Effect of movements in foreign exchange	881	-	-	-	881
Balance at 01/31/2007	**30,263**	**150,597**	**-**	**9,210**	**190,070**

Additions through profit and loss have been recognized under "Other net operating expenses and income" and "Operating expenses" (euros 39,560 thousand in 2006 and euros 31,672 thousand in 2005) (see note 6) and "Financial results" (euros 1,043 thousand in 2006 and euros 343 thousand in 2005) (see note 7) of the consolidated income statement.

23 Capital and reserves

Share capital

At 31 January 2007 and 2006, parent company share capital amounted to euros 93,499,560 and is represented by 623,330,400 registered shares of euros 0.15 par value each, subscribed and fully paid. All shares belong to a single class and series, have the same voting and profit sharing rights and are represented by book entries.

Inditex shares are listed on the four Spanish stock exchanges. According to public information registered with the Spanish Stock Exchange Commission, at 31 January 2007 the members of the board of directors or related companies controlled 59.325% of parent company share capital (59.327% at 31 January 2006) (see note 31).

Treasury shares

Treasury shares held by the Inditex Group comprise the following:

• 41,000 shares at 31 January 2007 (same number as at 31 January 2006) with an average acquisition cost of euros 2.18 per share.

• 2,348,383 shares with an acquisition cost of euros 2.93 per share, corresponding to the following operation:

At the meetings held on 20 July 2000, 19 January and 20 April 2001 the shareholders of Inditex agreed to launch a share option plan which awarded board members and management of Inditex and its group of subsidiaries option rights over a maximum of 3,018,400 ordinary Inditex shares of euros 0.15 par value each.

In order to hedge the share option plan, Banco Bilbao Vizcaya Argentaria, S.A. subscribed 3,018,400 shares of a capital increase carried out in January 2001 and signed a call option agreement in favor of Inditex whereby the latter could acquire the shares for sale to beneficiaries in the event they exercised their option rights. This financial entity also subscribed a swap contract with Inditex in order to set the return on the investment in the Company's shares and regulate the associated cash flows. Upon expiry of this plan, 2,348,383 residual shares remained, which Inditex acquired in 2006 and recorded as treasury shares. As described in note 28, the shareholders at an annual general meeting agreed to incorporate these remaining shares into a new share-based remuneration plan.

24 Income tax

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

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

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

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

“Income tax payable “ in the consolidated balance sheet corresponds to the 2006 income tax provision, net of withholdings and payments on account made during the period. “Trade and other payables” include the liability deriving from the remaining applicable taxes.

“Trade and other receivables” in the consolidated balance sheet mainly include the difference between VAT recoverable and VAT receivable during the year.

Inditex, S.A. holds a 49% stake in nine economic interest groupings (EIG), and during the year acquired a 46% interest in a new EIG. The principal activity of EIG’s is the leasing of assets. These groupings requested from the tax authorities, and were granted, tax incentives provided for in income tax legislation (see note 16).

This year, these economic interest groupings generated tax loss carryforwards which reduced the income tax expense and which Inditex, S.A. has opted to apply to the taxable period in which the annual accounts are approved. This investment is considered a financing and fiscal operation, the estimated net result of which is included in income tax over its expected life. Forecast future years’ taxable and accounting income have raised accrued income tax by euros 14,982 thousand, and the net impact of these investments on the income statement through income tax, taking into account negative permanent differences and deductions, is revenue of euros 1,351 thousand (see note 16).

The 2006 income tax calculation is based on profit reported for accounting purposes, obtained in conformity with EU-IFRS, which may differ from the profit for fiscal purposes. The income tax expense includes both current and deferred income tax as follows:

	2006	2005
Current taxes	260,108	243,838
Deferred taxes	69,394	46,745
	329,502	**290,583**

A reconciliation of the income tax expense under the prevailing Spanish general income tax rate to "Profit before tax" and the expense recorded in the consolidated income statement, and a reconciliation thereof with the net income tax expense for 2006 and 2005, is as follows:

	2006	2005
Consolidated accounting income	1,001,540	803,162
Accrued income tax	329,502	290,583
Net permanent differences:		
Individual companies	(30,882)	(66,108)
Consolidation adjustments	80,340	42,131
Offset of prior years' loss carryforwards	(11,285)	(17,209)
Taxable accounting income	**1,369,215**	**1,052,559**
Tax rate	**35%**	**35%**
Total income tax	**479,225**	**368,396**
Effect of tax rates in foreign jurisdictions	(78,664)	(37,612)
Tax credits and deductions	(161,618)	(83,077)
Foreign witholding taxes	14,578	11,422
Other adjustments	75,981	31,454
Income tax expense	**329,502**	**290,583**
Temporary differences	(69,394)	(42,076)
Net income tax	**260,108**	**248,507**

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

Negative permanent differences basically correspond to tax loss carryforwards generated by the economic interest groupings.

Temporary differences have given rise to the corresponding deferred tax assets and liabilities, composition in which during 2006 and 2005 is as follows:

Deferred tax liabilities:	**2006**	**2005**
Lease operations	4,297	6,014
Intragroup operations	40,792	17,601
Amortization	17,456	21,846
Reinvestment of profits	4,719	5,690
Other	37,055	55,584
Total	**104,319**	**106,735**

Deferred tax assets:	**2006**	**2005**
Provisions	15,791	18,132
Amortization	6,327	23,408
Tax losses	31,250	24,286
Other	35,483	11,889
Total	**88,851**	**77,716**

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

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

As permitted by prevailing income tax legislation, group companies have, in general, applied tax credits and deductions for double taxation and investments amounting to euros 161,618 thousand. Although these companies have not yet filed their income tax returns for 2006, deductions and credits of euros 109,154 thousand have been included in the income tax provision, which is shown in the accompanying annual accounts. A deferred tax asset with a credit to accrued income tax has been recognized for the surplus which was unable to be applied this year due to a shortfall in income tax.

At 31 January 2007, the Group has tax losses of euros 110,800 thousand (euros 75,796 thousand at 31 January 2006) which may be offset against future profits, the majority of which may be utilized indefinitely. Deferred tax assets in respect of tax losses are only recognized when there is evidence that future taxable profits will be available against which the asset can be utilized.

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

25 Operating leases

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

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

In many cases the lease contracts simply establish a fixed rental payment, normally monthly, adjusted for inflation based on a price index. In other cases the amounts payable to the lessor are a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may have minimum guaranteed amounts or certain rules of calculation attached. In some countries lease contracts are periodically indexed to market rates which, on occasion, entails an increase in rent, but not when market rates are lower. Occasionally, staggered rental payments are agreed, which means it is possible to reduce cash outflows during the initial years of commercial premises use, even if the expense is recognized on a straight-line basis (see note 33-p). Grace periods are also frequently established in order to avoid having to pay rent when premises are being refurbished and prepared for opening.

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

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

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

Details of operating lease expenses are as follows:

	2006	2005
Minimum installments	587,304	444,315
Contingent installments	130,611	132,726
	717,915	**577,041**
Sub-leasing collections	4,269	4,186

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

	2006			2005		
	Less than 1 year	Between 1 and 5 years	More than 5 years	Less than 1 year	Between 1 and 5 years	More than 5 years
Lease payments	466,687	957,015	701,686	396,123	788,500	787,981

26 Finance leases

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

	2006	2005
Cost of the assets	62,600	75,968
Accumulated depreciation	(13,836)	(14,294)
	48,764	**61,674**

	Minimum payments		Present value of minimum payments	
	2006	2005	2006	2005
Less than 1 year	5,588	8,166	5,369	7,505
Between 1 and 5 years	17,682	18,066	16,989	15,734
More than 5 years	492	3,475	473	3,227
	23,762	**29,708**	**22,831**	**26,467**

27 Risk management and financial instruments

Financial risk management policies

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

Exchange rate risk

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

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

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

Credit risk

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

Liquidity and interest rate risk

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

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

Financial instruments

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

Moreover, and as described in note 33.n), the Group applies hedge accounting to mitigate the volatile effect that contracting hedge instruments prior to recording the associated transactions would have on the consolidated income statement.

Consequently, the fair value of hedging derivatives has been recognized in equity during the year while the speculative portion, amounting to euros 1,130 thousand, has been reclassified to financial results. The inefficient portion of hedging derivatives has not been significant and has also been taken to financial results.

As of 31 January 2007, the Group held financial instruments, mainly forwards and options, in US dollar and pounds sterling for a nominal value of approximately 387.800 thousand US dollar and 33.000 thousand pound sterling.

28 Employee benefits

Defined benefit or contribution plan obligations

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

As described in note 21, in accordance with collective labor agreements, certain group companies are obliged to pay retirement bonuses. The Group has created a provision to cover the liability corresponding to the estimated portion accrued at the closing date, which amounts to euros 5,933 thousand at 31 January 2007.

Share-based payments

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

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

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

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

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

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

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

Fair value at the plan grant date was estimated at euros 48,046 thousand using generally accepted valuation techniques, considering the hypothesis of share price at grant date, the average share price, interest rates, dividend yield and its volatility. Personnel expenses recorded in the consolidated income statement relating to the period between the concession date (18 July 2006) and 31 January 2007 amount to euros 11,100 thousand, a balancing entry for which has been booked in equity.

29 Interest in joint ventures

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

	2006	**2005**
Non-current assets	12,127	10,114
Current assets	91,547	68,029
Non-current liabilities	(752)	(774)
Current liabilities	(47,652)	(46,545)
Net assets	**55,270**	**30,824**
Revenues (*)	229,094	177,447
Expenses	(201,920)	(161,134)

* Revenues to third parties: 24,835 and 13,475 thousand euros in 2006 and 2005, respectively.

30 Proposed distribution of parent company net income

The directors will propose that the 2006 net income of the parent company, which amounts to euros 558,282 thousand, be distributed as follows: euros 523,598 thousand (0.84 cents per share) as dividends and euros 34,684 thousand to voluntary reserves.

31 Remuneration of the board of directors and transactions with related parties

Remuneration of the board of directors

Remuneration received by the board of directors and senior management during 2006 is shown in the section on transactions with related parties.

As in 2005, the Group has no commitments in respect of pension plans or life insurance schemes.

Other information concerning the board of directors

According to the public registers of the Spanish Stock Exchange Commission (CNMV), at 31 January 2007 the members of the board of directors held the following direct and indirect investments in the share capital of Inditex:

Board member, manager or representative	Number of direct shares	Number of indirect shares	Percentage of capital
Mr. Amancio Ortega Gaona	-	369,600,063 [1]	59.294%
Mr. Pablo Isla Álvarez de Tejera	25,100	-	0.004%
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	34,385	-	0.006%
Mr. Francisco Luzón López	-	-	0%
Ms. Irene R. Miller	30,239	-	0.005%
Mr. Juan Manuel Urgoiti López de Ocaña	27,739	-	0.004%
Mr. José Luis Vázquez Mariño	3,000	-	0.000%
Mr. Antonio Abril Abadín	76,015	-	0.012%
GARTLER, S.L.	311,727,598	-	50.010%
Total			**59.325%**

(1) Through Gartler, S.L. and Partler, S.L.

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

Name of board member	Company tax number	Company	% Ownership	Position
Mr. Pablo Isla Álvarez de Tejera	A78276854	Bershka España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15052160	Choolet, S.A.	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15311368	Denllo, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15037393	Confecciones Fíos, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15018476	Confecciones Goa, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15643620	Glencare, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A78115201	Grupo Massimo Dutti, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15155625	Hampton, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15137318	Kenner, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15049299	Nikole, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15026347	Oysho España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15108673	Pull&Bear España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15022585	Samlor, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15568165	Stear, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A60348240	Stradivarius España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15234065	Tempe, S.A.	0%	Vice-Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15058324	Trisko, S.A	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A15022510	Zara España, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	A15121049	Zintura, S.A.	0%	Chairman of the board
Mr. Pablo Isla Álvarez de Tejera	A70086350	Massimo Dutti, S.A.	0%	Board member
Mr. Pablo Isla Álvarez de Tejera	ZME920824KM3	Zara México, S.A. de C.V.	0%	Board member

Name of board member	Company tax number	Company	% Ownership	Position
Mr. Antonio Abril Abadín	A78276854	Bershka BSK España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A78111671	Bershka Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15114424	Comditel, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15052160	Choolet, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15311368	Denllo, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15037393	Confecciones Fíos, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15018476	Confecciones Goa, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15643620	Glencare, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15121031	Goa Invest, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A78115201	Grupo Massimo Dutti, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15155625	Hampton, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	G15632003	Inditex Cogeneración, A.I.E.	0%	Joint administrator
Mr. Antonio Abril Abadín	A80317043	Invercarpro, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15137318	Kenner, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A08478448	Kettering, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15388366	Kiddys Class España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15334725	Lefties España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	B83077594	Liprasa Cartera, S.A.	0%	Secretary, non-board member
Mr Antonio Abril Abadín	A70086350	Massimo Dutti, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15569890	Massimo Dutti Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15049299	Nikole, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15346166	Often Textil, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15026347	Oysho España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15327612	Oysho Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15497225	Plataforma Europa, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A70020714	Plataforma Logística de León, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15108673	Pull&Bear España, S.A.	0%	Secretary, board member
Mr. Antonio Abril Abadín	A15458128	Pull&Bear Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15022585	Samlor, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15568165	Stear, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A60348240	Stradivarius España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15234065	Tempe, S.A.	0%	Secretary, board member
Mr. Antonio Abril Abadín	A15058324	Trisko, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A08447427	Zara, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15022510	Zara España, S.A.	0%	Secretary, board member

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

Furthermore, and in accordance with the above-mentioned law, no members of the board of directors carry out or have performed any activities in 2006 in companies with a statutory activity which is identical, similar or complementary to that of Inditex.

Transactions with related parties

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

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

Details of operations between Inditex and its joint ventures or associates, which have not been completely eliminated in the consolidation process as they are proportionately consolidated or accounted for using the equity method, are as follows:

Entity	2006	2005
Associates	(7,515)	(2,530)
Joint ventures	(193,749)	(138,851)

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

Significant shareholders

According to the information in the public registers of the Spanish Stock Exchange Commission, Gartler, S.L. holds 50.010% of Industria de Diseño Textil, S.A. and is, therefore, the controlling shareholder of the Inditex Group. During 2006, operations carried out by the Inditex Group with the controlling shareholder, or with related persons or companies, are as follows:

2006		
Nature of the relationship	**Type of operation**	**Amount (thousands €)**
Contractual	Asset leasing	(5,460)
Contractual	Asset leasing	138
Contractual	Works	4,598

2005		
Nature of the relationship	**Type of operation**	**Amount (thousands €)**
Contractual	Asset leasing	(5,739)
Contractual	Works and lease contracts	8,608

According to the table above, the Inditex Group has earned income on transactions with persons or companies related to the controlling shareholder amounting to euros 4,736 thousand. These transactions correspond mainly to construction works performed by the group company Goa-Invest, S.A., which were carried out under market conditions.

Various group companies have leased commercial premises belonging to companies related to the controlling shareholder. The majority of these lease contracts were signed prior to 1994 and mature between 2014 and 2016. According to the table above, lease payments made by the Group on the aforementioned premises in 2006 amounted to euros 5,460 thousand.

Members of the board of directors and management

Total remunerations and indemnities received by Inditex board members and management during 2006 are as follows:

	Board members	Management
Remunerations	3,950	9,395
Indemnities	-	-
Share-based payments	-	-

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

	Board members	Management
Remunerations	3,287	9,466
Indemnities	3,161	3,524
Share-based payments	-	-

During 2006, Inditex approved a share-based payment plan aimed at the management team, including two executive board members, and other key employees of the Inditex Group, the features of which are described in note 28. As regards transactions with related parties, details of the maximum number of shares receivable by key management personnel, board members and senior management upon vesting of the Plan (1 October 2008), providing all terms and conditions are met, are as follows:

	Minimum no. of shares	Maximum no. of shares	% of capital
Board members	-	121,500	0.019
Management	-	456,000	0.073

32 External auditors

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

	2006	2005
Audit services	3,232	3,385
Other services	309	398
Total	**3,541**	**3,783**

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

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

According to information received from the auditors, fees received from the Inditex Group by KPMG or associated firms do not exceed 0.027% of total revenue.

33 Selected accounting policies

a) Foreign currency transactions

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

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

b) Tangible assets

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

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

The estimated useful lives are as follows:

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

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

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

Repair and maintenance costs are expensed as they are incurred.

c) Rights over leased premises

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

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

d) Other intangible assets

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

(2) Software is stated at cost and amortized on a straight-line basis over a five-year period.

e) Financial Investments

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

f) Investment property

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

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

g) Impairment

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

The recoverable amount of goodwill or assets with indefinite useful lives is estimated at the closing date, and thereafter at least once a year.

Calculation of recoverable amount

The recoverable amount of assets is the higher of an asset's fair value less costs to sell and its value in use. Value in use is calculated considering future cash flows the entity expects to derive from the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

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

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

Reversals of impairment

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

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

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

h) Receivables

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

Provision is made for impairment of trade receivables when there is objective evidence that the Group will not be able to collect all the amounts owed by the debtor in accordance with the conditions of the debt. This provision is calculated as the difference between the carrying amount and the present value of future estimated cash flows discounted at the effective interest rate and is recognized in the income statement.

i) Inventories

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

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

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

Cost is calculated on a "first in – first out" (FIFO) basis and includes the cost of materials consumed, labor and manufacturing expenses.

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

• Raw materials and other supplies: replacement cost. However, materials are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost;

• Goods for resale: estimated selling price, less selling costs;

• Work in progress: the estimated selling price for the corresponding finished products, less estimated costs of completion and selling costs.

j) Cash and cash equivalents

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

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

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

k) Employee benefits

In line with prevailing collective labor agreements, certain group companies are obliged to pay retirement bonuses. The Group has created a provision to cover the actuarial liability of the estimated portion accrued at 31 January 2007.

The valuation of the equity instruments granted to the Group employees is done at concession date. The personnel expense vested during the period is determined based on the fair value of the instrument at grant date, the period of the service rendered and the estimated instruments consolidated at the end of the period.

The transactions related to share-based payments before 6 November 2002 were recognised using accounting principles prevailing in Spain, at the date of transition to EU-IFRS.

Personnel expenses accrued by the beneficiaries of the plan referred to in note 28 to the consolidated annual accounts are recognized with a credit to equity accounts during the period in which services are rendered.

l) Provisions

Provisions are recognized in the balance sheet when:

• the Group has a present legal or constructive obligation as result of a past event;

• it is probable that an outflow of economic benefits will be required to settle the obligation; and

• the amount can be reliably estimated.

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

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

m) Financial liabilities

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

n) Derivatives and hedging operations

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

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

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

o) Revenue recognition

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

Sales to franchises are recognized when the risks and rewards inherent to ownership of the goods are substantially transferred, the revenue can be reliably determined and collection is considered probable.

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

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

p) Leases

Leases are classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership and are otherwise recorded as operating leases.

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

In the case of operating leases, non-contingent or fixed rent payments are charged to the income statement on a straight-line basis over the term of the lease. Contingent rent is recognized in the period in which payment is probable, as are variable rent increases linked to the consumer price index.

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

q) Financial income and expenses

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

r) Income tax

Income tax comprises current and deferred tax and is recognized in the income statement and included in the determination of net profit or loss for the year, except to the extent that it relates to a transaction which has been recognized directly in equity in the same or different years, or to a business combination.

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

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

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

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

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

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

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

s) Current and non-current assets and liabilities

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

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

t) Treasury shares

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

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

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

Annex I

COMPOSITION OF THE INDITEX GROUP

The companies composing the consolidated Group as of 31 January 2007 are as follows

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent company	La Coruña - Spain	Fully Cons.	1/31/2007	-	Parent company
Comditel, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Zara	Centralized textile purchasing
Inditex Asia, Ltd.	100.00%	Hong Kong - China	Fully Cons.	1/31/2007	Zara	Centralized textile purchasing
Zara Asia, Ltd.	100.00%	Hong Kong - China	Fully Cons.	1/31/2007	Zara	Centralized textile purchasing
Choolet, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Confecciones Fíos, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Confecciones Goa, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Denllo, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Hampton, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Jema Creaciones Infantiles, S.L.	45.90%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Kenner, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Kettering, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Nikole, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Samlor, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Sircio, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Stear, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Textil Rase, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Trisko, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Zintura, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Glencare, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Indipunt, S.L.	51.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Textile manufacturing
UAB Rofestas	100.00%	Vilnius - Lithuania	Fully Cons.	1/31/2007	Zara	Textile manufacturing
Zara España, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Retailing
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	Fully Cons.	1/31/2007	Zara	Retailing
Zara Belgique, S.A.	100.00%	Brussels - Belgium	Fully Cons.	1/31/2007	Zara	Retailing
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	Fully Cons.	12/31/2006	Zara	Retailing
Zara USA Inc.	100.00%	New York - USA	Fully Cons.	1/31/2007	Zara	Retailing
Zara France, S.A.R.L.	100.00%	Paris - France	Fully Cons.	1/31/2007	Zara	Retailing
Zara UK, Ltd.	100.00%	London - United Kingdom	Fully Cons.	1/31/2007	Zara	Retailing
Zara Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Zara	Retailing
Zara México, S.A. de C.V.	95.00%	Mexico DF - Mexico	Fully Cons.	12/31/2006	Zara	Retailing
Zara Portugal Confecçoes Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Zara	Retailing
Zara Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully Cons.	1/31/2007	Zara	Retailing
Grupo Zara Uruguay, S.A.	100.00%	Montevideo -Uruguay	Fully Cons.	1/31/2007	Zara	Retailing
Zara Brasil, Lda.	100.00%	Sao Paulo -Brasil	Fully Cons.	12/31/2006	Zara	Retailing
Zara Nederland, B.V.	100.00%	Amsterdam - The Netherlands	Fully Cons.	1/31/2007	Zara	Retailing
Zara Österreich Clothing, GmbH	100.00%	Vienna - Austria	Fully Cons.	1/31/2007	Zara	Retailing
Zara Danmark A/S	100.00%	Copenhagen - Denmark	Fully Cons.	1/31/2007	Zara	Retailing
Zara Sverige, AB	100.00%	Stockholm - Sweden	Fully Cons.	1/31/2007	Zara	Retailing
Zara Norge, AS	100.00%	Oslo - Norway	Fully Cons.	1/31/2007	Zara	Retailing
Zara Canada, Inc.	100.00%	Montreal - Canada	Fully Cons.	1/31/2007	Zara	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Zara Suisse S.A.R.L.	100.00%	Friburgo - Switzerland	Fully Cons.	1/31/2007	Zara	Retailing
Zara Luxembourg, S.A.	100.00%	Luxembourg - Luxembourg	Fully Cons.	1/31/2007	Zara	Retailing
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Fully Cons.	1/31/2007	Zara	Retailing
Zara Italia, S.R.L.	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Zara	Retailing
Zara Japan Corp.	100.00%	Tokyo - Japan	Fully Cons.	1/31/2007	Zara	Retailing
Zara Ceská Republika, S.R.O.	100.00%	Prague - Czech Republic	Fully Cons.	1/31/2007	Zara	Retailing
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	Fully Cons.	1/31/2007	Zara	Retailing
Za Clothing Ireland, Ltd.	100.00%	Dublin - Ireland	Fully Cons.	1/31/2007	Zara	Retailing
Zara Magyarorszag, KFT.	100.00%	Budapest - Hungary	Fully Cons.	1/31/2007	Zara	Retailing
Zara Monaco, SAM	100.00%	Montecarlo-Monaco	Fully Cons.	1/31/2007	Zara	Retailing
Zara Commercial (Shanghai), Co Ltd.	100.00%	Shangai- China	Fully Cons.	1/31/2007	Zara	Retailing
Zara Commercial (Beijing), Co Ltd.	100.00%	Beijing- China	Fully Cons.	1/31/2007	Zara	Retailing
Zara Polska, Sp. Zo.o.	51.00%	Warsaw - Poland	Fully Cons.	12/31/2006	Zara	Retailing
ZAO Zara CIS	100.00%	Moscow - Russia	Fully Cons.	12/31/2006	Zara	Retailing
Zara Deutschland, GmbH	78.00%	Hamburg - Germany	Fully Cons.	1/31/2007	Zara	Retailing
Kiddy´s Class España, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Kiddy´s Class	Retailing
Kiddy´s Class Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Kiddy´s Class	Retailing
Skhuaban Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Kiddy´s Class	Retailing
Skhuaban France, S.A.R.L.	100.00%	Paris - France	Fully Cons.	1/31/2007	Kiddy´s Class	Retailing
Skhuaban Italia, S.R.L.	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Kiddy´s Class	Retailing
Oysho España, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Portugal, Conf. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Fully Cons.	12/31/2006	Oysho	Retailing
Oysho Italia, S.R.L.	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Österreich, GmbH	100.00%	Vienna - Austria	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Polska, Sp zo.o	100.00%	Warsaw - Poland	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho CIS	100.00%	Moscow - Russia	Fully Cons.	1/31/2007	Oysho	Retailing
Oysho Deutschland, GmbH	100.00%	Hamburg - Germany	Fully Cons.	1/31/2007	Oysho	Retailing
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti UK, Ltd.	100.00%	London - United Kingdom	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Suisse, S.A.R.L.	100.00%	Friburgo - Switzerland	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Sverige, AB	100.00%	Stockholm - Sweden	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Norge, AS.	100.00%	Oslo - Norway	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Italia, S.R.L.	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Ireland., Ltd.	100.00%	London - United Kingdom	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti USA, Ltd.	100.00%	New York - USA	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Danmark A/S	100.00%	Copenhagen - Denmark	Fully Cons.	1/31/2007	Massimo Dutti	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Massimo Dutti CIS	100.00%	Moscow - Russia	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Deutschland, GmbH	100.00%	Hamburg - Germany	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Pase Packaging, S.A. de C.V.	98.00%	Mexico DF - Mexico	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
BCN Diseños, S.A. de C.V.	98.00%	Mexico DF - Mexico	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Zara Home Belgique, S.A.	100.00%	Brussels - Belgium	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Massimo Dutti Hong Kong	100.00%	Hong Kong - China	Fully Cons.	1/31/2007	Massimo Dutti	Retailing
Pull & Bear España, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Fully Cons.	12/31/2006	Pull & Bear	Retailing
Pull & Bear Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Fully Cons.	12/31/2006	Pull & Bear	Retailing
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear Italia, S.R.L.	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull&Bear Ceska Republika, S.R.O.	100.00%	Prague - Czech Republic	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull&Bear Ireland, Ltd.	100.00%	Dublin - Ireland	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear Magyarország Kft.	100.00%	Budapest - Hungary	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear Polska, Sp zo.o	100.00%	Warsaw - Poland	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Pull & Bear CIS	100.00%	Moscow - Russia	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Often España, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Often Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Pull & Bear	Retailing
Bershka BSK España, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Portugal Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Mexico, S.A. de CV	97.00%	Mexico DF - Mexico	Fully Cons.	12/31/2006	Bershka	Retailing
Bershka BSK Venezuela, S.A.	100.00%	Caracas - Venezuela	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100.00%	Istanbul - Turkey	Fully Cons.	12/31/2006	Bershka	Retailing
Bershka Belgique, S.A.	100.00%	Brussels - Belgium	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka France, S.A.R.L.	100.00%	Paris - France	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Suisse, S.A.R.L.	100.00%	Friburgo - Switzerland	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Nederland, B.V.	100.00%	Amsterdam - The Netherlands	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Italia, S.R.L.	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka U.K., Ltd.	100.00%	London - United Kingdom	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Ireland., Ltd.	100.00%	London - United Kingdom	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka Ceska Republica, S.R.O.	100.00%	Prague - Czech Republic	Fully Cons.	1/31/2007	Bershka	Retailing
Bershka CIS	100.00%	Moscow - Russia	Fully Cons.	1/31/2007	Bershka	Retailing
Stradivarius España, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Stradivarius	Retailing
Stradivarius Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Stradivarius	Retailing
Stradivarius Portugal, Conf. Unip. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Stradivarius	Retailing
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Fully Cons.	12/31/2006	Stradivarius	Retailing
Stradivarius Polska, Sp zo.o	100.00%	Warsaw - Poland	Fully Cons.	1/31/2007	Stradivarius	Retailing
Stradivarius Ireland Limited	100.00%	Dublin - Ireland	Fully Cons.	1/31/2007	Stradivarius	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Stradivarius Italia SRL	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Stradivarius	Retailing
Stradivarius CIS	100.00%	Moscow - Russia	Fully Cons.	1/31/2007	Stradivarius	Retailing
Stradivarius France, S.A.R.L.	100.00%	Paris - France	Fully Cons.	1/31/2007	Stradivarius	Retailing
Zara Home España, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara Home	Retailing
Zara Home Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Zara Home	Retailing
Zara Home U.K., Ltd.	100.00%	London - United Kingdom	Fully Cons.	1/31/2007	Zara Home	Retailing
Zara Home Hellas, S.A.	100.00%	Athens - Greece	Fully Cons.	1/31/2007	Zara Home	Retailing
Zara Home Nederland, B.V.	100.00%	Amsterdam - The Netherlands	Fully Cons.	1/31/2007	Zara Home	Retailing
Zara Home Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Fully Cons.	12/31/2006	Zara Home	Retailing
Zara Home Italia, S.R.L.	100.00%	Milan - Italy	Fully Cons.	1/31/2007	Zara Home	Retailing
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Fully Cons.	12/31/2006	Zara Home	Retailing
Zara Home Francia, S.A.R.L.	100.00%	Paris - France	Fully Cons.	1/31/2007	Zara Home	Retailing
Bershka Logística, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Bershka	Logistics
Massimo Dutti Logística, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Massimo Dutti	Logistics
Oysho Logística, S.A.	100.00%	Barcelona - Spain	Fully Cons.	1/31/2007	Oysho	Logistics
Pull & Bear Logística, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Pull & Bear	Logistics
Zara Logística, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Logistics
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	Fully Cons.	1/31/2007	Zara	Logistics
Plataforma Logística León, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100.00%	Mexico DF - Mexico	Fully Cons.	12/31/2006	Zara	Services
Zara Financiën B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Finance
Zara Mexico, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Finance
Zara Holding, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Holding company
Zalapa, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Holding company
Massimo Dutti Holding, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Massimo Dutti	Holding company
Liprasa Holding company, S.L.	98.00%	Madrid - Spain	Fully Cons.	12/31/2006	Massimo Dutti	Holding company
ITX Merken, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Trademarks
ITX RE	100.00%	Ireland	Fully Cons.	1/31/2007	Zara	Reassurance
ITX Trading, S.A.	100.00%	Friburgo - Switzerland	Fully Cons.	1/31/2007	Zara	Centralized purchasing
Goa-Invest, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Construction and real estate
Zara Vastgoed, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Real estate
Vastgoed Asia, Ltd.	100.00%	Hong Kong - China	Fully Cons.	1/31/2007	Zara	Real estate
SNC Zara France Immobiliere	100.00%	Paris - France	Fully Cons.	12/31/2006	Zara	Real estate
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	Fully Cons.	12/31/2006	Zara	Real estate
SCI Vastgoed France P03301	100.00%	Paris - France	Fully Cons.	12/31/2006	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	Fully Cons.	12/31/2006	Zara	Real estate
SCI Vastgoed Nancy P03304	100.00%	Paris - France	Fully Cons.	12/31/2006	Zara	Real estate
Invercarpro, S.A.	100.00%	Madrid - Spain	Fully Cons.	1/31/2007	Zara	Real estate
Robustae S.G.P.S. Unip. Lda.	100.00%	Lisbon - Portugal	Fully Cons.	1/31/2007	Zara	Real estate
Lefties España, S,A,	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Real estate
Inditex Cogeneración, A.I.E.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Cogeneration plant
Inditex, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Dormant at 01/31/07
Zara Italia, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Dormant at 01/31/07

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Fruminga, B.V.	100.00%	Breda - The Netherlands	Fully Cons.	1/31/2007	Zara	Dormant at 01/31/07
Zara, S.A.	100.00%	La Coruña - Spain	Fully Cons.	1/31/2007	Zara	Dormant at 01/31/07
Zara, S.A.	100.00%	Buenos Aires - Argentina	Fully Cons.	1/31/2007	Zara	Dormant at 01/31/07
Multigroup companies:						
Tempe, S.A.	50.00%	Alicante - Spain	Prop. Cons.	1/31/2007	Zara	Commercialization of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico DF - Mexico	Prop. Cons.	12/31/2006	Zara	Commercialization of footwear
Tempe Logística, S.A.	50.00%	Alicante - Spain	Prop. Cons.	1/31/2007	Zara	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo -Brazil	Prop. Cons.	12/31/2006	Zara	Commercialization of footwear
Group Zara Australia Pty. Ltd.	50.00%	Sydney - Australia	Prop. Cons.	1/31/2007	Zara	Dormant at 01/31/07
Associated companies:						
Fibracolor Decoración, S.A.	39.97%	Barcelona - Spain	Equity Acc.	12/31/2006	Zara	Decoration
Fibracolor, S.A.	39.97%	Barcelona - Spain	Equity Acc.	12/31/2006	Zara	Purchase and treatment of textiles
Naviera Elealva, A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera Celeste, A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera del Miño, A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera del Sil, A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera Venus, A.I.E	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera Berlín , A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera Covadonga , A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera Gran Sol , A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera Guadiana , A.I.E.	49.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing
Naviera Manchuria , A.I.E.	46.00%	Las Palmas - Spain	Equity Acc.	12/31/2006	Zara	Asset leasing

Stradivarius_Portal de l'Àngel_Barcelona_Spain

Zara_Metropolitan Cinema_Bologna_Italy

08

Consolidated Management Report

08

8.1 Consolidated financial statements

FY2006 profit & loss statement (millions of euros)

	Year 2006	Year 2005	Var % 06/05
Net sales	8,196	6,741	22%
Cost of sales	(3,589)	(2,953)	
Gross profit	**4,607**	**3,788**	**22%**
Gross margin	56.2%	56.2%	
Operating expenses	(2,800)	(2,297)	22%
Other net operating income (losses)	(17)	(32)	
Operating cash flow (EBITDA)	**1,790**	**1,459**	**23%**
EBITDA margin	21.8%	21.6%	
Amortization and depreciation	(433)	(366)	19%
Operating income (EBIT)	**1,356**	**1,094**	**24%**
EBIT margin	16.5%	16.2%	
Financial results	(14)	8	
Results from companies consolidated by equity method	(3)	(0)	
Income before taxes	**1,339**	**1,101**	**22%**
EBT margin	16.3%	16.3%	
Taxes	(330)	(291)	
Net income	**1,010**	**811**	**25%**
	12.3%	12.0%	
Minorities	8	8	
Net income attributable to the controlling company	**1,002**	**803**	**25%**
Net income margin	12.2%	11.9%	
Earnings per share, cents of euro (*)	**161**	**129**	**25%**

(*) Shares for EPS calculation 620.9 million for 2006 and 2005.

Consolidated Balance Sheet as of 31 January 2007 (millions of euros)

Assets	01/31/2007	01/31/2006
Current assets	**2,148**	**2,047**
Cash & cash equivalents	906	988
Receivables	364	358
Inventories	824	684
Other	55	16
Non current assets	**3,594**	**3,156**
Tangible assets	2,801	2,424
Intangible assets	568	499
Financial investments	38	68
Other	187	165
Total assets	**5,742**	**5,203**

Total liabilities & shareholders' equity

Current liabilities	**1,885**	**1,851**
Payables	1,740	1,642
Financial debt	145	209
Non current liabilities	**387**	**431**
Financial debt	47	76
Deferred taxes	104	107
Other	235	248
Shareholders' equity	**3,471**	**2,921**
Equity attributable to the parent	3,448	2,899
Minority interests	22	22
Total liabilities & shareholders' equity	**5,742**	**5,203**

Consolidated Statement of Cash Flows (millions of euros)	Year 2006	Year 2005	Var % 06/05
Income before taxes	**1,339**	**1,101**	**22%**
Adjustments to income			
Depreciation and amortization	433	367	
Corporate income tax	(330)	(291)	
Deferred and prepaid tax	(13)	0	
Foreign exchange impact	0	3	
Other	61	59	
Funds from operations	**1,492**	**1,240**	**20%**
Changes in assets and liabilities			
Increase in inventories	(135)	(164)	
Increase in accounts receivable	(51)	(70)	
Increase in current liabilities	92	414	
Changes in working capital	**(94)**	**180**	
Cash from operations	**1,397**	**1,421**	**-2%**
Intangible assets investments	(79)	(82)	
Tangible assets investments	(784)	(702)	
Acquisitions of businesses	(29)	(14)	
Addition to other long-term financial investments	(6)	(4)	
Other assets investments	(16)	(28)	
Fixed assets sales and retirements	27	17	
Capital expenditure	**(887)**	**(812)**	**9%**
Net decrease in long-term financial debt	(28)	(26)	
Net decrease in other long-term debt	(67)	(98)	
Net increase (decrease) in current debt	(64)	26	
Dividends	(418)	(302)	
Other financing activities	0	0	
Cash used in financing activities	**(577)**	**(399)**	**45%**
Net increase (decrease) in cash and cash equivalents	(67)	210	
Foreign exchange impact on cash & cash equivalents	(15)	7	
Cash and cash equivalents at beginning of the year	988	772	
Cash and cash equivalents at end of the year	**906**	**988**	**-8%**

8.2 Comments on the consolidated results

The results for FY2006 reflect significant growth in sales and a strong operating performance, resulting in the Group improving its financial returns.

At FYE Inditex operated 3,131 stores in 64 countries through eight different concepts: Zara, Kiddy's Class, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home.

8.2.1. Sales

Net sales reached €8,196 million, an increase of 21.6% over the previous year. Sales growth in constant currency has been 22.2%.

Number of stores and openings

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

	Net openings		Total stores	
Concept	**2006**	**2005**	**01/31/2007**	**01/31/2006**
Zara	138	129	990	852
Kiddy´s Class	36	20	185	149
Pull & Bear	40	56	467	427
Massimo Dutti	30	43	399	369
Bershka	65	66	433	368
Stradivarius	41	36	304	263
Oysho	47	50	201	154
Zara Home	42	48	152	110
Total	**439**	**448**	**3,131**	**2,692**

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

Company-managed stores and franchises

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

Company-managed and franchised stores

	2006			2005		
Concept	Company-managed.	Franchised	Total	Company-managed.	Franchised	Total
Zara	892	98	990	770	82	852
Kiddy's Class	185	-	185	149	-	149
Pull and Bear	420	47	467	380	47	427
Massimo Dutti	301	98	399	275	94	369
Bershka	405	28	433	351	17	368
Stradivarius	240	64	304	208	55	263
Oysho	194	7	201	149	5	154
Zara Home	140	12	152	100	10	110
Total	**2,777**	**354**	**3,131**	**2,382**	**310**	**2,692**

Selling area

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

Selling area (sqm) in company-managed and franchised stores

	01/31/2007	01/31/2006	Var % 06/05
Zara	1,102,410	961,791	15%
Kiddy's Class	35,877	28,999	24%
Pull & Bear	111,429	95,179	17%
Massimo Dutti	113,604	103,816	9%
Bershka	152,327	130,495	17%
Stradivarius	77,580	67,297	15%
Oysho	27,540	21,197	30%
Zara Home	36,533	25,978	41%
Total	**1,657,299**	**1,434,752**	**16%**

Like-for-like sales (LFL)

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

The Group's like-for-like sales grew by 5.5% in FY2006. Like-for-like represents the annual change in store sales of any concept of the Group that were opened for the whole of fiscal years 2006 and 2005, converted to a fixed exchange rate.

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

LFL sales growth

	2006	2005
First half	5%	4.5%
Second half	6%	5%
Full year	**5.5%**	**5%**

The like-for-like calculation includes 67% of FY2006 store sales (i.e. sales in stores opened for the whole of fiscal years 2006 and 2005).

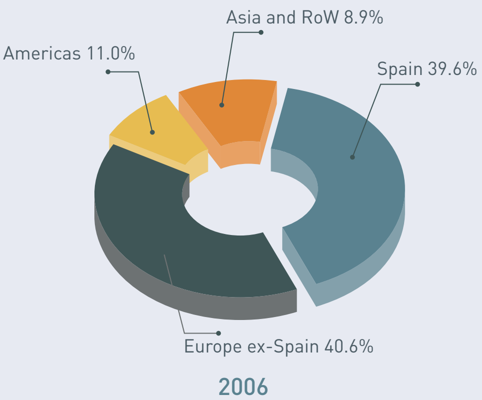
Sales by concept

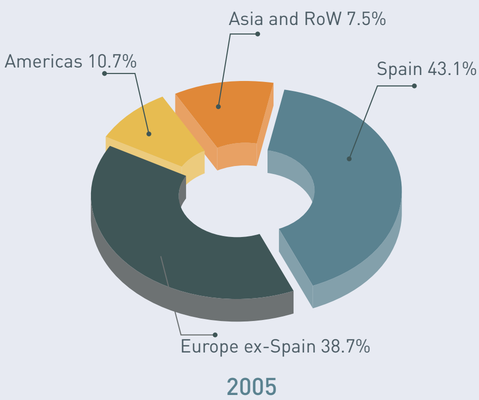
Net sales by concept in FY2006 and FY2005 are shown in the table below:

	Net Sales (Million €)			% on total	
Concept	**2006**	**2005**	**Var%06/05**	**2006**	**2005**
Zara	5.352	4.441	21%	65.3%	65.9%
Non-Zara	2.844	2.300	24%	34.7%	34.1%
Kiddy's Class	182	155	17%	2.2%	2.3%
Pull & Bear	519	445	17%	6.3%	6.6%
Massimo Dutti	614	534	15%	7.5%	7.9%
Bershka	798	639	25%	9.7%	9.5%
Stradivarius	428	341	25%	5.2%	5.1%
Oysho	165	107	54%	2.0%	1.6%
Zara Home	139	78	78%	1.7%	1.2%
Total sales	**8,196**	**6,741**	**22%**	**100%**	**100%**

Store sales by geographic area

The following graph shows store sales by geographic areas:





Due to the International expansion strategy of the Group, Europe ex-Spain is now the area with the highest weight on store sales.

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

International store sales		
Concept	**2006**	**2005**
Zara	**72.3%**	**68.9%**
Non-Zara	**38.4%**	**34.5%**
Kiddy's Class	14.5%	14.0%
Pull & Bear	40.2%	33.2%
Massimo Dutti	49.4%	45.6%
Bershka	45.0%	41.5%
Stradivarius	19.7%	17.4%
Oysho	35.1%	31.8%
Zara Home	35.4%	23.0%
Total	**60.4%**	**56.9%**

Sales in company-managed and franchised stores

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

Store sales in company-managed and franchised stores

	2006		2005	
Concept	**Company-managed**	**Franchised**	**Company-managed**	**Franchised**
Zara	90%	10%	90%	10%
Non-Zara	87%	13%	87%	13%
Kiddy's Class	100%	0%	100%	0%
Pull & Bear	90%	10%	91%	9%
Massimo Dutti	72%	28%	72%	28%
Bershka	95%	5%	97%	3%
Stradivarius	81%	19%	82%	18%
Oysho	97%	3%	98%	2%
Zara Home	93%	7%	96%	4%
Total	**89%**	**11%**	**89%**	**11%**

8.2.2. Gross profit

The gross profit rose to €4,607 million, 22% higher than the previous year. The Gross margin remained stable at 56.2% of sales, as the currency impact experienced in the first half has been fully reversed in the full year.

Should currencies remain at current level, Inditex considers a stable level as its best estimate for the FY2007 gross margin based on that of FY2006.

8.2.3. Operating income (EBIT)

FY2006 EBITDA came to €1,790 million, an increase of 23% compared to the previous year, standing at 21.8% of sales (21.6% in FY2005)

Below is a breakdown of Operating expenses over the last two years:

(Million euros)	2006	2005	Var %
Personnel expenses	1.251	1.037	21%
Rental expenses	718	577	24%
Other operating expenses	831	683	22%
Total operating expenses	**2.800**	**2.297**	**22%**

At FYE 2006 the number of employees reached 69,240 (58,190 at FYE2005).

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

The future lease commitments as a result of the minimum non cancellable lease payments amounted to €2,125 million at FYE2006.

The Reduce 3 plan to improve the operational efficiency of the Group is on track to meet the target set by Inditex.

EBIT came to €1,356 million, 24% higher, standing at 16.5% of sales (16.2% in FY2005).

EBIT by concept

The breakdown of EBIT by concept is the following:

	EBIT by concept (millons of euros)			% EBIT on sales		EBIT by concept on total (%)	
Concept	**2006**	**2005**	**Var% 06/05**	**2006**	**2005**	**2006**	**2005**
Zara	**880**	**712**	**24%**	**16.4%**	**16.0%**	**64.9%**	**65.1%**
Non-Zara	**477**	**381**	**25%**	**16.8%**	**16.6%**	**35.1%**	**34.9%**
Kiddy's Class	31	29	8%	17.0%	18.5%	2.3%	2.6%
Pull & Bear	78	75	4%	15.0%	16.9%	5.8%	6.9%
Massimo Dutti	81	69	17%	13.1%	12.9%	5.9%	6.3%
Bershka	131	99	33%	16.5%	15.5%	9.7%	9.0%
Stradivarius	98	84	17%	23.0%	24.5%	7.2%	7.6%
Oysho	39	25	59%	23.7%	22.9%	2.9%	2.2%
Zara Home	18	1	1.194%	13.2%	1.8%	1.4%	0.1%
Total EBIT	**1,356**	**1,094**	**24%**	**16.5%**	**16.2%**	**100.0%**	**100.0%**

8.2.4 Net income and net income attributable to the parent company

Income before taxes stands at €1,339 million, 22% higher than in FY2005.

Financial results break down as follows:

(Million euros)	2006	2005
Net financial income (losses)	4	4
Foreign exchange gains (losses)	(18)	4
Total	**(14)**	**8**

Net income reached €1,010 million, an increase of 25%.

Net income attributable to the controlling company came to €1,002 million, an increase of 25% over FY2005.

Dividend proposal

Inditex's Board of Directors will propose to the General Shareholders Meeting a dividend of €524 million (€84 cents per share), 25% higher than the previous FY.

Return on Equity (ROE)

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

Return on equity (millions of euros)		
Description	**2006**	**2005**
Net income	1,002	803
Shareholders equity - previous year	2,899	2,376
Shareholders equity - current year	3,448	2,899
Average equity	3,174	2,637
Return on equity	**32%**	**30%**

Return on Capital Employed (ROCE)

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

Return on capital employed (millions of euros)		
Description	**2006**	**2005**
EBIT	1,356	1,094
Average capital employed		
Average shareholders' equity	3,174	2,637
Average net financial debt (*)	0	0
Total average capital employed	3,174	2,637
Return on capital employed	**43%**	**41%**

(*) Zero when net cash

ROCE by concept

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

Concept	2006	2005
	ROCE	**ROCE**
Zara	**40%**	**41%**
Non-Zara	**50%**	**41%**
Kiddy's Class	56%	67%
Pull & Bear	43%	47%
Massimo Dutti	33%	27%
Bershka	55%	42%
Stradivarius	86%	82%
Oysho	55%	50%
Zara Home	33%	3%
Total	**43%**	**41%**

8.3 Comments on the balance sheet

Inditex Consolidated Balance Sheet maintains a similar structure to that it showed at FYE2005, without net financial debt and with a negative operating working capital position, a consequence of the business model.

8.3.1 Net financial position

The net financial position is shown in the table below:

Net financial cash (millions of euros)		
	01/31/2007	**01/31/2006**
Cash & cash equivalents	906	988
Current financial debt	(145)	(209)
Non current financial debt	(47)	(76)
Net financial cash (debt)	**714**	**703**

8.3.2 Working capital

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

Working capital (millions of euros)		
	01/31/2007	**01/31/2006**
Inventories	824	684
Receivables	364	358
Payables	(1,701)	(1,438)
Other	55	16
Trade working capital	**(458)**	**(379)**
Fiscal accounts (net)	(39)	(137)
Debt in acquisition of JV	-	(67)
Operating working capital	**(497)**	**(583)**
Cash & cash equivalents	906	988
Current financial debt	(145)	(209)
Financial working capital	**761**	**779**
Total working capital	**264**	**196**

8.4 Comments on the cash flow statement

The summary of the cash flow statement is the following:

(millions of euros)	2006	2005	Var%06/05
Funds from operations	1,492	1,239	20%
Ordinary CAPEX	858	798	8%
Acq. of JV's and franchises	171	14	
Dividends	418	302	38%
Net cash position	714	703	2%

Funds from Operations grew by 20% in 2006, reaching €1,492 million.

Ordinary Capital Expenditure for the FY amounted to €858 million. Additionally Inditexinvested €171 million in acquisitions of joint-ventures and franchised operations. €418 million dividend was paid to shareholders.

Zara Home_Pilot store_Arteixo_Spain

8.5 Start of FY2007

The Spring-Summer 2007 collections have been well-received by our customers.

The store openings plan for FY2007 is the following:

FY 2007 Openings forecast

Concept	Range			% International	Total 2006
Zara	130	-	140	85%	138
Kiddy's Class	35	-	45	35%	36
Pull & Bear	55	-	65	70%	40
Massimo Dutti	25	-	35	65%	30
Bershka	60	-	70	80%	65
Stradivarius	55	-	65	65%	41
Oysho	45	-	55	60%	47
Zara Home	35	-	45	70%	42
Total net openings	**440**	**-**	**520**		**439**

Approximately 60% of the contracts have been signed but in some cases openings may not take place in FY2007.

Expected CAPEX in FY2007 is between €850 million and €950 million. The opening of new stores and the refurbishment of existing stores will represent the majority of the CAPEX.

8.6 Other subjects

8.6.1 Research and development expenses

The Inditex Group has not carried out, and has not engaged third parties to carry out research and development projects, to be performed over several years and for which investment is earmarked to develop products expected to generate revenues in more than one year.

Nevertheless, since the incorporation of the company, management has applied available technology in all areas of its activity to improve manufacturing and distribution processes and developed, with own resources or the assistance of third parties, instruments with which to improve business management. Examples include point-of-sale terminals, stock administration and management systems, distribution centre systems, communication with stores and in-store garment labelling systems.

8.6.2 Operations with treasury shares

Group companies have not carried out any parent company share operations in 2006, except for the repurchase of shares under the equity swap contract with BBVA. These shares were recorded in both 2005 and 2006 as treasury shares and will form part of the share-based payment plan described in note 28 to the consolidated annual accounts.

Massimo Dutti_Galleria Vittorio Emanuele II_Milan_Italy

Annex I

Income statement: quarterly results

	2006				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,715	1,761	2,190	2,531	1,406	1,414	1,832	2,090
Cost of sales	(759)	(807)	(906)	(1,117)	(622)	(613)	(763)	(955)
Gross profit	**956**	**954**	**1.284**	**1.413**	**784**	**801**	**1.068**	**1.135**
Gross margin	55.7%	54.2%	58.6%	55.8%	55.7%	56.6%	58.3%	54.3%
Operating expenses	(640)	(656)	(694)	(810)	(520)	(546)	(585)	(646)
Other net operating income (losses)	(3)	(6)	(11)	3	(3)	2	(13)	(17)
Operating cash flow (EBITDA)	**313**	**292**	**579**	**606**	**261**	**257**	**470**	**471**
EBITDA margin	18.2%	16.6%	26.4%	24.0%	18.6%	18.2%	25.7%	22.6%
Amortization and depreciation	(99)	(102)	(109)	(124)	(81)	(92)	(95)	(98)
Operating income (EBIT)	**214**	**191**	**470**	**482**	**180**	**165**	**375**	**373**
EBIT margin	12.5%	10.8%	21.5%	19.0%	12.8%	11.7%	20.5%	17.9%
Financial results	(5)	5	(2)	(12)	(1)	12	(6)	3
Results from companies consolidated by equity method	(0)	0	(1)	(1)	0	0	0	(0)
Income before taxes	**209**	**195**	**467**	**469**	**179**	**178**	**369**	**376**
Taxes	(57)	(51)	(124)	(97)	(53)	(54)	(89)	(95)
Net income	**151**	**145**	**342**	**372**	**126**	**123**	**280**	**281**
Minorities	1	1	3	4	1	2	6	(1)
Net income attributable to the controlling company	**150**	**144**	**339**	**368**	**125**	**121**	**274**	**283**
Net income margin	8.8%	8.2%	15.5%	14.5%	8.9%	8.6%	15.0%	13.5%

Annex II

Number of net store openings in each quarter

Format	Q1 2006	Q2 2006	Q3 2006	Q4 2006	total 2006	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Total 2005
Zara	45	21	42	30	138	21	18	54	36	129
Kiddy's Class	8	7	10	11	36	6	4	4	6	20
Pull & Bear	13	8	5	14	40	10	9	24	13	56
Massimo Dutti	7	7	10	6	30	14	5	11	13	43
Bershka	16	16	17	16	65	16	6	20	24	66
Stradivarius	5	10	14	12	41	7	8	12	9	36
Oysho	8	16	12	11	47	9	9	17	15	50
Zara Home	12	9	8	13	42	7	11	21	9	48
Total stores	**114**	**94**	**118**	**113**	**439**	**90**	**70**	**163**	**125**	**448**

Number of stores by the end of each quarter

Format	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Zara	897	918	960	990	744	762	816	852
Kiddy's Class	157	164	174	185	135	139	143	149
Pull & Bear	440	448	453	467	381	390	414	427
Massimo Dutti	376	383	393	399	340	345	356	369
Bershka	384	400	417	433	318	324	344	368
Stradivarius	268	278	292	304	234	242	254	263
Oysho	162	178	190	201	113	122	139	154
Zara Home	122	131	139	152	69	80	101	110
Total stores	**2,806**	**2,900**	**3,018**	**3,131**	**2,334**	**2,404**	**2,567**	**2,692**

Annex III

Stores by concept and country as at 31 January 2007

Country	Zara	Kiddy's Class	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Inditex
Andorra	1		1	2		1		1	6
Argentina	6								6
Austria	10								10
Bahrain	1		1	1					3
Belgium	20			19	7			3	49
Brazil	19								19
Canada	14								14
Chile	5								5
China	7								7
Costa Rica	1								1
Cyprus	3		2	1	4	3		1	14
Czech Republic	5		2		2				9
Denmark	4								4
Dominican Republic	1								1
El Salvador	2		1		1				4
Estonia	1								1
Finland	4								4
France	98	2	1	11	29	3		3	147
Germany	53			6					59
Greece	41	3	13	10	17	2	7	3	96
Hungary	3								3
Iceland	2								2
Indonesia	6			1					7
Ireland	6		9	1	5	2			23
Israel	15		13						28
Italy	46	4	14	6	18	4	21	7	120
Japan	23								23
Jordan	1		1	1		2			5
Kuwait	4		3	1		2	2	1	13
Latvia	1								1
Lebanon	2		3	3	2	2	1		13
Lithuania	3		1	2					6
Luxembourg	2			1					3

Country	Zara	Kiddy's Class	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Inditex
Malaysia	3								3
Malta	1		5		1				7
Mexico	44		24	21	35		21	7	152
Monaco	1								1
Morocco	1			1		2			4
Netherlands	9				4			1	14
Norway	1			2					3
Panama	2								2
Philippines	3								3
Poland	13		1		2	1	1		18
Portugal	48	19	62	45	35	27	22	15	273
Puerto Rico	1								1
Qatar	1		1	1	1	1	1		6
Romania	1		1						2
Russia	12		8	2	2	5			29
Saudi Arabia	18			7	13	15	2	5	60
Serbia	2								2
Singapore	5		2	3					10
Slovakia			2						2
Slovenia	4					1			5
Spain	286	157	286	227	232	224	120	96	1,628
Sweden	6			3					9
Switzerland	8			4	1				13
Thailand	3			2					5
Tunisia	1								1
Turkey	16		3	5	3	3	2	2	34
UAE	5		4	5	4	4	1	4	27
United Kingdom	50			7	4			3	64
Uruguay	2								2
USA	24								24
Venezuela	9		3		9				21
Total	**990**	**185**	**467**	**399**	**433**	**304**	**201**	**152**	**3,131**

CORPORATE PERFORMANCE

Inditex_Headquarters_Arteixo_Galicia_Spain

01
The Corporate Governance in Inditex

01

Zara_Calle Pelayo_Barcelona_Spain

Transparency is **the main goal** on **which** is **based** the **Corporate** Governance of **Inditex**. From the **beginning**, the **company** has **sought** to be **ahead** of the **main recommendations** on **Good Governance**. In the **year 2006**, Inditex **has implemented** its Internal **Guidelines** for the **Responsible Practices** of its **personnel**, this **being** a **reference tool** for its **employees**.

Corporate Governance Model

Good governance of the company is a key element to implement Inditex´s corporate responsibility policy and one of the mayor tools as regards the relationship between the company and its stakeholders. As corporate governance makes progress towards ensuring transparency, the sustainability model pursuant to which the Inditex Group wishes to perform all its activities, becomes stronger.

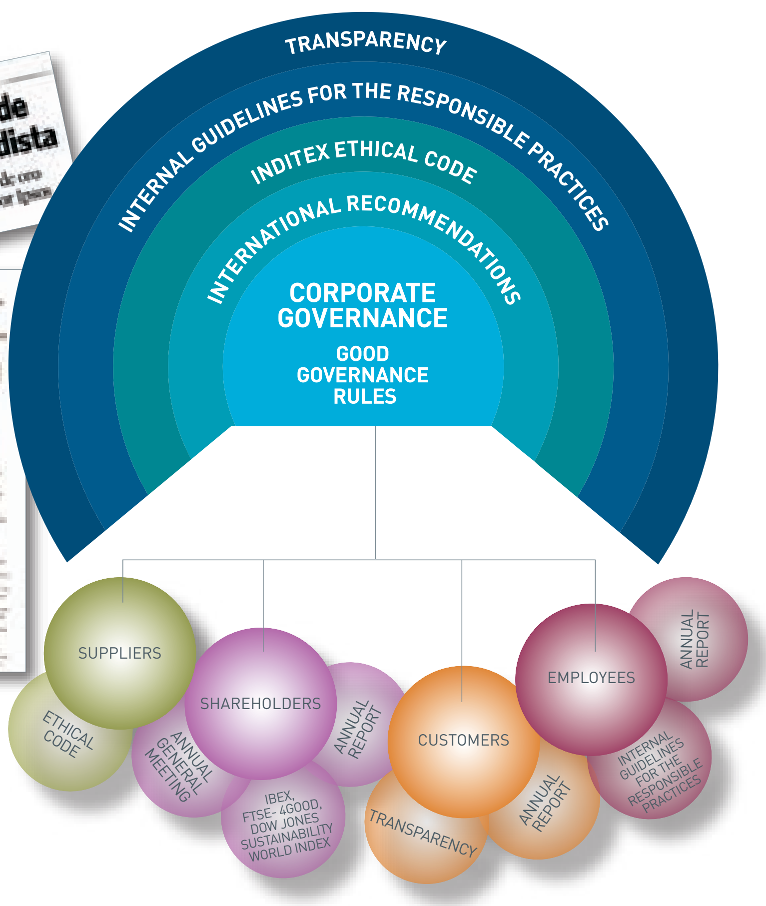
Annual Corporate Governance Report (ACGR)

With this respect, the ACGR provides full and reasoned information on the structure and corporate governance practices of the company so that the market, the investors and the shareholders may have a true image and a full well-founded view of the several aspects comprising the corporate governance of the Inditex Group, as well


La reputación corporativa de Inditex 'enamora' al periodista

ZARA

Inditex, la empresa con mejor reputación corporativa en España



as of the degree of compliance with the recommendations set forth in this field.

With regard to the recommendations on corporate governance, a Unified Code of Good Corporate Governance was approved on 22 May 2006 by the Board of the Comisión Nacional del Mercado de Valores (Securities Exchange Commission in Spain). According to this Code, listed companies must take the recommendations therein contained as a reference in order to submit their ACGR for fiscal year 2007. Consequently, during the whole 2007 listed companies may adjust to the recommendations included in the above referred Code.

With this respect, Inditex, in line with its corporate governance policy consisting of assuming the existing best practices in this matter, will adjust its internal regulations to the above mentioned Code throughout fiscal year 2007. For such purposes, it will submit the amendment of the Regulations of the General Meeting of Shareholders to the Annual General Meeting to be held in 2007 and will amend the Regulations of the Board of Directors during the year; the amendment of the corporate Articles of Association has not been deemed necessary.

Internal Guidelines for the Responsible Practices of the Inditex Group Personnel

Ahead of the provisions of Recommendation 50.1º d) of the Unified Code, the Internal Guidelines for the Responsible Practices of the Inditex Group Personnel were approved in a resolution passed by the Board of Directors in the session held on 13 June 2006.

The main purpose of said Guidelines is to encourage the professional, ethical and responsible behaviour of the employees of the Group and to cooperate in helping prevent corruption in all its forms. To implement these Guidelines, among other things, a Committee of Ethics has been set up which is responsible for ensuring compliance with the guidelines; a mechanism enabling employees to notify in a confidential way any potentially relevant breach in their view of the Guidelines has also been established; and

an internal campaign was put in place to explain the contents of the Guidelines to the whole staff of the Group worldwide.

Under said Guidelines, all the employees are bound to act, as regards their relations with other employees and with the customers, pursuant to criteria of respect and justice, without any form of violence, harassment or abuse at work being permitted, nor any manner of discrimination because of race, religion, age, sex or any other conditions.

As for relationships with suppliers, they will be selected according to objectivity and transparency criteria, and no gifts may be accepted or given so as to have an influence in the decision taking process; as for authorities, employees shall act in a lawful, ethical and respectful manner, without accepting any gifts or compensations which might be linked to the decision taking process of the company.

Likewise and while carrying out other activities, they shall report to the Committee of Ethics any situations involving a conflict between their personal interest and that of the company, as well as such conflicts of personal interest which might jeopardise the objectivity and professionalism required while performing their duties.

Meanwhile, while in the performance of professional activities, an efficient use of corporate assets and services will be procured, and any information gathered in the performance of such activity shall be kept confidential. On the other hand, transactions which might have an economic impact shall be carried out in a transparent, open and acute manner.

Audit and Control Committee

With regard to the Audit and Control Committee, comprised of five independent directors and whose Annual Activities Report is also included in this section of the Annual Report 2006, below is a list of the main business transacted in the nine meetings held by said body in the year:

i) Review of the results of the Company and of the periodic financial information to be provided to the markets prior to the approval thereof by the Board;

ii) Meetings held with the external auditors of the Company in order to review the above mentioned financial information;

iii) Monitoring and supervision of the Internal Audit function of the Inditex Group that functionally depends on said Committee;

iv) Identification and assessment of the risks of the Inditex Group; and

v) Corporate social responsibility and social audit of external suppliers and workshops.

Nomination and Remuneration Committee

Meanwhile, the Nomination and Remuneration Committee also comprised of five independent directors and whose Annual Activities Report is also included in this section of the Annual Report 2006, held three meetings in the year, where the following issues, among others, were reviewed and subject to report:

i) Re-election and appointment of directors and officers,

ii) Remuneration of the Board of Directors, and

iii) Approval of a stock ownership plan addressed to members of the management team, including executive directors, and other key employees of the Inditex Group.

Zara_Via Scarlatti_Naples_Italy

02

Corporate Governance Report

Zara_Via del Corso_Rome_Italy

This **Annual** Corporate **Governance Report** **adjusts** as **regards** its contents and **structure** to the **form** established **by** the **Comisión Nacional** del **Mercado** de **Valores**, with the **goal** of **meeting** the requirements **provided** under the **Transparency** Act.

In this Annual Corporate Governance Report, the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.), (hereinafter, "Inditex" or "the Company) has included all the relevant information corresponding to fiscal year 2006, which commenced on 1 February 2006 and closed on 31 January 2007, excepting those cases in which other dates of reference are specifically mentioned. In Spain, Act 26/2003 of 17 July (hereinafter, the "Transparency Act"), which amended the Spanish Stock Exchange Act and the Revised Text of the Spanish Corporation Act with the purpose of reinforcing the transparency of listed companies, developed the series of reflections on the principles and practices that should govern the corporate governance of listed companies that were contained in the Report by the Olivencia Commission and, subsequently, in the Report of the Special Commission for the Promotion of Transparency and Security in Financial Markets and Listed Companies (hereinafter, the "Aldama Report"), giving regulatory support to the conclusions and recommendations contained therein as regards the promotion of transparency.

Finally, on 22 May 2006, the Board of the Comisión Nacional del Mercado de Valores (Spanish Stock Exchange Commission, hereinafter the "CNMV"), resolved to approve as a single document including the recommendations on corporate governance, the Unified Code of Good Corporate Governance prepared by the Special Work Group set up further to a resolution of the Spanish Government with the goal of assisting the CNMV with the harmonisation and update of the recommendations included in the Olivencia and Aldama Reports. Under the provisions of the resolution of the Board of the CNMV, listed companies must take said Code as a reference, for the purposes of explaining whether they meet or not the recommendation on corporate governance therein provided, upon tabling the Annual Corporate Governance Report for FY2007; therefore, for the purposes hereof, the recommendations of the Unified Code have not been taken into account.

The contents and structure of this Report adjust, for the third straight year, to the model laid down by Circular 1/2004 dated 17 March from the CNMV on annual corporate governance report of listed companies and other entities that issue securities admitted to trading on official secondary securities markets and other instruments for information of listed companies, in order to comply with the transparency requirements arising out of the Transparency Law, as well as with the provisions of Ministerial Order ECO/3722/2003, of 26 December, established to implement same.

This Annual Corporate Governance Report is subject to publication as a relevant fact and is available on our corporate web page: www.inditex.com.

The rules governing the corporate governance of Inditex are established in its Articles of Association, Board of Directors' Regulations and Regulations of the General Meeting of Shareholders, in its Internal Regulations of Conduct Regarding Transactions in Securities, the Code of Conduct of the Inditex Group, the Internal Guidelines for Responsible Practices of the Inditex´s Group Personnel and the Regulations of the Social Advisory Board, as is explained in more detail below:

Articles of Association

These were approved by the General Meeting of Shareholders in July 2000. The General Meeting held in April 2001 introduced an amendment consisting of a reduction in the number of shares required to attend the General Meeting, while the one held in July 2003 resolved new amendments, mostly due to the new duties of transparency, information and protection of the shareholder, which were introduced by Law 44/2002, of 22 November, on Measures for the Reform of the Financial System (hereinafter, the "Financial Law") and by the recommendations and conclusions regarding corporate governance, and specifically those included in the Aldama Report. Finally, the AGM held on 16 July 2004 adopted several amendments regarding the full adaptation to the Transparency Law and the inclusion of recommendations on corporate governance, thoroughly reviewed throughout the Annual Corporate Governance Report for fiscal year 2004, underscoring the following ones: (i) the requirement to hold at least 50 shares in the Company to be eligible to attend Annual General Meetings was suppressed; (ii) the possibility for shareholders to grant proxy and to issue votes by mail or electronic means was included in the regulations of the company; (iii) some rules were laid down for those cases where a shareholders´ proxy is in conflict of interest; (iv) the composition of the Audit and Control Committee was reformed, to be comprised of independent directors exclusively; (v) a new article regarding the Nomination and Remuneration Committee, that must also be entirely comprised of independent directors, was introduced and (vi) a new article on the web page of the company was introduced.

Board of Directors' Regulations

These were approved by the Board of Directors in July 2000. Their purpose is to determine the principles of operation of the Board, the basic rules for its organisation and working and the rules governing the conduct of its members and includes, among other matters, rules relating to the appointment and removal of directors, their rights and duties and the relations of the Board with the shareholders, with the markets and with the external auditors, all this with the aim of achieving the highest possible degree of efficiency. The Board of Directors´ Regulations were already subject to a major reform, as resolved by the administration body on 20 March 2003, in order to adapt them to the new obligations introduced by the Financial Law, and to the recommendations contained in the Aldama Report. Said reform, however, and for time reasons, did not take into account all the mandates of the Transparency Law, which was published after same resolution. For such reason, a new amendment to the internal rules on governance of the Board of Directors was approved by the meeting it held on 10 June 2004, on the one hand fully including the provisions of the Transparency Law and the implementing regulations thereof, and on the other undertaking other reforms, which were not mandatory but which aimed at reviewing and updating the contents of the Board of Directors´ Regulations in light of the most recent trends on the issue of good corporate governance, harmonising the terminology used and correcting some minor errors discovered in the wording thereof.

Regulations of the General Meeting of Shareholders

This text was approved at the General Meeting held on 18 July 2003. Its aim is to govern the operation of the General Meeting as to calling of meetings, preparation, information, attendance, development and exercise of voting rights, and to inform the shareholders of their rights and duties relating to this. It was approved by the Annual General Meeting of Shareholders held on 16 July 2004 to amend the Regulations of the General Meeting of Shareholders to fully include thereon the provisions of the Transparency Law and the implementing regulations thereof, updating at the same time the contents of the Regulations in light of the most recent trends on the issue of good corporate governance.

Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, the "Internal Regulations of Conduct")

Approved by the Board of Directors in July 2000, this document contains the rules governing the confidentiality of relevant information, transactions involving securities of Inditex and its group of companies by the persons included in its scope, its treasury stock policy and communication of relevant facts. In its meetings on 20 March and 11 December 2003, the Board of Directors approved revised texts of the Internal Regulations of Conduct, in order to adapt them firstly to the new obligations introduced by the Financial Law, and secondly to the recommendations contained in the Aldama Report, redefining several concepts and strengthening control over those transactions that could be carried out at some point in the future by Affected Persons with securities of the company, amongst other modifications. Finally, said revised text was amended further to a resolution of the Board of Directors dated 13 June 2006 for the purposes of adapting the contents thereof to the provisions of Real Decreto 1333/2005, of 11 November, implementing the Stock Exchange Act in the matter of market abuse.

Code of Conduct of the Inditex Group

Approved by the Board of Directors in February 2001, this Code is defined as an ethical commitment that includes key principles and standards for the appropriate development of the relations between Inditex and its principal stakeholders: shareholders, employees, partners, suppliers, customers and Society. It includes an Internal Code of Conduct and a Code of Conduct for External Manufacturers and Workshops to guarantee the suitable introduction and management of the principles contained in the Human Rights Declarations and the Conventions of the United Nations and those of the International Labour Organisation, principally.

Internal Guidelines for Responsible Practices of the Inditex Group´s Personnel

Which were approved further to a resolution passed by the Board of Directors held on 13 June 2006 for the purposes of encouraging the ethical behaviour of its employees and helping prevent any manner of corruption. The Guidelines provide a mechanism which enables the employees of the Group to inform, confidentially, of any potentially relevant irregularity which, in their opinion means a breach of the Guidelines.

The full text of all the aforementioned documents is available on the corporate web site (www.inditex.com).

Zara_Vittorio Emanuele II_Milan_Italy

Regulations of the Social Advisory Board

The Social Advisory Board is the advisory body of Inditex with regard to Corporate Social Responsibility. In December 2002, the Board of Directors authorised its creation and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and working and the rules of conduct of its members.

Zara_Via del Corso_Rome_Italy

2.A
Ownership structure

A.1 Share capital of the Company

Date of last modification	Share capital (€)	Number of shares
20-07-2000: Resolution passed by General Meeting of Shareholders	93,499,560 euros	623,330,400 shares

All the shares are of the same class and series, represented by the book-entry method and are fully paid-up and subscribed.

Inditex has been listed on the Spanish Stock Markets since 23 May 2001 and has been part of the selective IBEX35 since July 2001. In addition, it has been part of the Eurostoxx 600 since September 2001, of the selective Morgan Stanley Capital International index since November 2001, of the Dow Jones Sustainability Index since September 2002, of the FTSE4Good since October 2002 and of the FTSE ISS Corporate Governance index, since its launching in December 2004.

A.2 Direct and indirect holders of significant holdings in the company at the date of the fiscal year end, excluding the directors

As Inditex's shares are represented by the book-entry method, and therefore there is no shareholder register kept by the company itself, it is not possible to know accurately the ownership structure of the company.

In any case, according to the information provided in the web site of the CNMV, the owners of significant holdings in the company as at 31 January 2007, excluding the directors, were those shown below:

Name or company name of the shareholder	Number of direct shares	Number of indirect shares (*)	% Total of share capital
Rosalía Mera Goyenechea	0	36,550,000	5.864%

(*) through:

Name or company name of the direct owner of the shareholding	Number of direct shares	% on share capital
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	36,550,000	5.864%
Total	**36,550,000**	**5.864%**

Likewise, it must be stated that according to the information provided by the CNMV on its web page as at 31 January 2007, Chase Nominees Ltd., in its capacity as international custodian/depository bank, possessed a direct stake of 5.974% in the capital of the company.

Indicate the most significant movements in shareholding structure that have taken place over the fiscal year.

The company has not been given notice of any significant movements in the shareholding structure over the year, except for the notice given by Deutsche Bank, S.A.E., in its capacity as deponent, regarding the transfer of shares carried out on 11 January 2007 by State Street Bank and Trust Co., in its capacity as custodian / depositary bank and which resulted in a reduction of its stake in the share capital of Inditex under the 5% thereshold.

A.3 Members of the board of directors of the company, who have shares in the company

As at 31 January 2007, the members of the Board of Directors who had a stake in the share capital of the company were as follows:

Name or company name of the director	Date of first appointment	Date of last appointment	Number of direct shares	Number of indirect shares (*)	% Total of share capital
Amancio Ortega Gaona	12-06-1985	15-07-2005	0	369,600,063 [1]	59.294%
Pablo Isla Álvarez de Tejera	9-06-2005	15-07-2005	25,100	0	0.004%
Antonio Abril Abadín	12-12-2002	18-07-2003	76,015	0	0.012%
GARTLER, S.L.	12-12-2006	12-12-2006	311,727,598	0	50.010%
Carlos Espinosa de los Monteros Bernaldo de Quirós	30-05-1997	16-07-2004	34,385	0	0.006%
Francisco Luzón López	28-02-1997	16-07-2004	0	0	0%
Irene Ruth Miller	20-04-2001	18-07-2006	30,239	0	0.005%
Juan Manuel Urgoiti López de Ocaña	02-01-1993	15-07-2005	27,739	0	0.004%
José Luis Vázquez Mariño	30-03-2005	15-07-2005	3,000	0	0%
% Total of the share capital in the possession of the board of directors					59.325%

(1) Through:

Name or company name of the direct holder of the stake	Number of direct shares	
GARTLER, S.L.	311,727,598 [1]	
PARTLER 2006, S.L.	57,872,465 [1]	
Total	**369,600,063**	
% Total of the share capital in the possession of the board of directors		**59.325%**

Complete the following tables on the members of the Board of Directors who have rights over shares in the company:

Name or company name of director	Number of direct option rights	Number of indirect option rights	Number of equivalent shares
Mr. Pablo Isla Álvarez de Tejera	100,000	0	100,000
Mr. Antonio Abril Abadín	21,500	0	21,500

The above mentioned rights pertain to the stock ownership plan approved by the Annual General Meeting of Shareholders held on 18 July 2006, and they represent the maximum number of shares said directors might receive should the appreciation target for the share price be met as well as the remaining terms and conditions of the plan.

A.4 Family, business, contractual or company relationships existing between the holders of significant holdings

The company has not been given notice of any family, business, contractual or company relationships existing between the holders of significant holdings that are of a relevant nature or that do not stem from the ordinary course of trade, without prejudice to that referred to under item A.3 above as regards the fact that Mr Amancio Ortega Gaona is the indirect holder of the shares held by two significant shareholders: Gartler, S.L. and Partler 2006, S.L.

A.5 Family, business, contractual or company relationships existing between the holders of significant holdings and the company

There have been no relations of a business, contractual or company nature between the holders of significant holdings and the company that are of a relevant nature or that do not stem from the ordinary course of trade, subject to the information provided under section C regarding related-party transactions, for transparency purposes.

A.6 Para-social agreements entered into and concerted actions between shareholders that have been communicated to the company or that the company is aware of

The company has not received any communications in relation to the making of para-social agreements nor does it have any proof of the existence of concerted actions between its shareholders.

A.7 Natural or legal who exert control or could exert control over the company in accordance with article 4 of the spanish stock exchange act

Name or company name	Remarks
Mr. Amancio Ortega Gaona	Through GARTLER, S.L., and PARTLER 2006, S.L., Amancio Ortega Gaona holds 59.294% of the share capital.

A.8 Treasury stock of the company

At year-end closing:

Number of direct shares	Number of indirect shares	% total of share capital
2,389,383	0	0.383%

List the significant variations, in accordance with the provisions of Royal Decree 377/1991, occurring during the fiscal year:

Date	Number of direct shares	Number of indirect shares	Total % over share capital
26-07-2006	2,348,383	0	0.37%
Results of the year for treasury stock transactions (in thousands €)			0

A.9 Conditions and term of the current mandate given by the general meeting to the board of directors to carry out acquisitions or transfers of the company's own shares

At the date of the issue of this report, the authorisation granted by the General Meeting of Shareholders of the company at its meeting held on 18 July 2006 remains in force, by virtue of which the Board of Directors was authorised to acquire the company's own shares. Below is a literal transcription of the resolution passed by the aforementioned General Meeting on item six of the Agenda:

Authorize the Board of Directors, so that, in accordance with the provisions of article 75 and following articles of the Spanish Corporation Law, it can proceed to the derivative acquisition of its own shares either directly or through any affiliated companies in which the company is the controlling company, respecting the legal limits and requirements and the following conditions:

a) Methods of acquisition: the acquisition shall be done via share-dealing, exchange or dation in payment.

b) Maximum number of shares to acquire: shares with a nominal value that, added to those already directly or indirectly possessed by the company, does not exceed 5% of the share capital.

c) Maximum and minimum prices: the minimum price of acquisition of the shares shall be their nominal value and the maximum price shall be up to 105% of their market value at the date of purchase.

d) Duration of the authorization: eighteen (18) months from the date of this resolution.

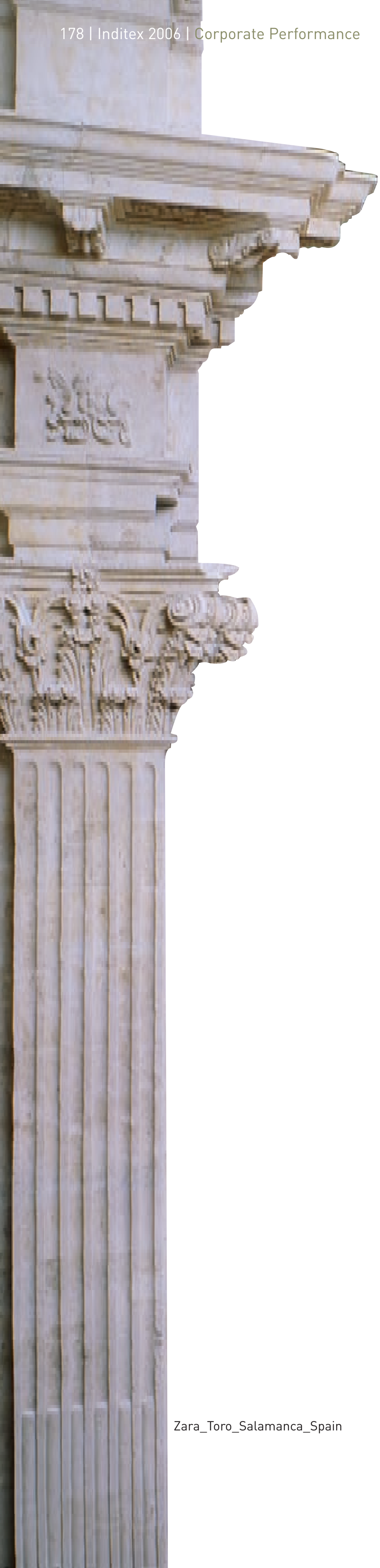
With regard to the provisions of the last paragraph of section 1 of article 75 of the Spanish Corporation Law, it is herein indicated that the shares that are acquired by virtue of this authorization may be allocated by the company, amongst other ends, to their delivery to the employees or directors of the company whether directly or as a consequence of the exercise of the option rights by those holding them, by virtue of the personnel compensation plans of the company or of its Group approved by the General Meeting of Shareholders.

This authorization annuls the authorization approved by the General Meeting of Shareholders held on 15 July 2005.

A.10 Legal and statutory restrictions on the exercise of voting rights and on the acquisition or transfer of stakes in the share capital

All the shares of the company have the same voting and financial rights and there are no legal or statutory restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that contained in **article 44** of the Spanish Corporation Act (hereinafter, "SCA"), which provides that any shareholder who is in arrears in the payment of capital calls may not exercise their right to vote.



2.B Administrative structure of the Company

Zara_Toro_Salamanca_Spain

B.1 Board of directors

Apart for the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making, supervisory and controlling body of the company, as it is entrusted with the direction, administration, management and representation of the company, delegating in general the management of the day-to-day business of Inditex to the executive bodies and to the management team and concentrating its efforts on the general supervisory function, which includes directing the policy of Inditex, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the company and acting as a link with the shareholders.

It is also incumbent on the Board of Directors to ensure that the company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have a decision power within the company which has not been subjected to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board performs its functions in accordance with the corporate interest, it being understood as the viability and maximization of the company´ s value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activities, and specially those of the other “stakeholders” of the company: employees, customers, suppliers and civil society in general, determining and reviewing its business and financial strategies in the light of said criterion, trying to achieve a reasonable balance between the selected proposals and the risks taken

It is provided under **article 5** of the Board of Directors´ Regulations that said body shall, acting at its own behest or at the suggestion of the corresponding intern body, exercise directly at least the following powers:

• To design the strategy and the general policy of the Company, to set up the programs and fix the goals to carry out all the activities included on the corporate purpose.

• To enhance and supervise the management of the Company, as well as the fulfilment of the fixed goals.

• To identify the main risks of the Company and to organize the appropriate systems of internal control and information.

• To set the grounds of the corporate organization in order to ensure its best effectiveness and the effective supervision by the Board of Directors.

• To approve the policy on treasury stock.

• To define the policy of information to the shareholders and the markets in general, under the criteria of transparency, integrity and truthfulness of the information.

• To approve the transactions entailing the disposal of substantial assets of the Company, as well as major corporate transactions.

• The remaining tasks reserved by these Regulations.

The ordinary power to call the Board of Directors, to decide on the agenda of its meetings and to conduct the debates lies with the Chairman. At the present time, Amancio Ortega Gaona is the Chairman of the Board and of its Executive Committee.

The Deputy Chairman or Deputy Chairmen will substitute the Chairman in case of his absence or if it is impossible for him to act, or when the Chairman himself should so decide. The office of First Deputy Chairman and C.E.O. is held by Pablo Isla Álvarez de Tejera and that of Second Deputy Chairman is held by Carlos Espinosa de los Monteros Bernaldo de Quirós.

The Secretary, who needs not be a director, but needs to be a lawyer, shall help the Chairman in his duties, provide the necessary advice and information to the directors and devote particular attention to the formal and material legality of the Board's decisions, and to the enforcement of the corporate governance principles and of the internal regulations of the company. A Deputy Secretary may also be appointed, who need not be a director, to assist the Secretary or to substitute him in case of his absence or if it is impossible for him to act for the performance of his functions.

Mr. Antonio Abril Abadín, General Counsel, holds the office of Secretary and Letrado Asesor (Consulting Lawyer) of the Board of Directors. Javier Monteoliva Díaz, Director of the Legal Department, holds the office of Deputy Secretary, non-member, of the Board.

The Board will hold ordinary meetings quarterly and, on the initiative of the Chairman, as many times as this latter considers advisable for the good running of the company. The Board must also meet when at least one third of its members so request.

B.1.1 Maximum and minimum number of directors provided in the articles of association	
Maximum number of directors	12
Minimum number of directors	5

B.1.2 Members of the board					
Name or company name of the director	**Representative**	**Office on the Board**	**Date of first appointment**	**Date of latest appointment**	**Election procedure**
Amancio Ortega Gaona		Chairman	12-06-1985	15-07-2005	AGM
Pablo Isla Álvarez de Tejera		First Deputy Chairman	9-06-2005	15-07-2005	AGM
Antonio Abril Abadín		Secretary	12-12-2002	18-07-2003	AGM
GARTLER, S.L.	Flora Pérez Marcote	Ordinary member	12-12-2006	12-12-2006	Board of Directors
Carlos Espinosa de los Monteros Bernaldo de Quirós		Second Deputy Chairman	30-05-1997	16-07-2004	AGM
Francisco Luzón López		Ordinary member	28-02-1997	16-07-2004	AGM
Irene Ruth Miller		Ordinary member	20-04-2001	18-07-2006	AGM
Juan Manuel Urgoiti López de Ocaña		Ordinary member	02-01-1993	15-07-2005	AGM
José Luis Vázquez Mariño		Ordinary member	30-03-2005	15-07-2005	AGM
Total number of Directors					**9**

Indicate the resignations or dismissals that have occurred during the period in the Board of Directors:

On 12 December 2006, it was resolved by the Board of Directors to acknowledge the spin-off of Gartler, S.L. and its subsequent withdrawal from the Board of Directors as a result of the cessation of its legal personality further to said spin-off; during that session of the Board, it was also resolved to appoint the new Gartler S.L., one of the two companies beneficiaries of the spin-off, as ordinary member of the Board.

B.1.3 Miembros del Consejo y condición

A

Executive directors		
Name or company name of the board member	**Committee which proposed that member's appointment**	**Position in the organisational chart of the company**
Amancio Ortega Gaona	Nomination and Remuneration Committee [1]	Chairman
Pablo Isla Álvarez de Tejera	Nomination and Remuneration Committee	First Deputy Chairman and Chief Executive Officer (CEO)
Antonio Abril Abadín	Nomination and Remuneration Committee	General Counsel

[1] The first appointment of the executive director Amancio Ortega Gaona took place before the creation of the Nomination and Remuneration Committee.

B **Non-executive domanial directors**

Name or company name of Board member	Committee which proposed that member's appointment	Name or company name of the significant shareholder being represented or who has proposed the appointment
GARTLER, S.L.	Nomination and Remuneration Committee	Amancio Ortega Gaona

C **Non-executive independent directors**

Name or company name of the Board member	Committee which proposed that member's appointment	Profile
Carlos Espinosa de los Monteros Bernaldo de Quirós	Nomination and Remuneration Committee	[2]
Francisco Luzón López	Nomination and Remuneration Committee	[2]
Irene Ruth Miller	Nomination and Remuneration Committee	[2]
Juan Manuel Urgoiti López de Ocaña	Nomination and Remuneration Committee [1]	[2]
José Luis Vázquez Mariño	Nomination and Remuneration Committee	[2]

[1] The first appointment of Mr Juan Manuel Urgoiti López de Ocaña, an external independent director, took place prior to the setting up of the Nomination and Remuneration Committee.

[2] Below is a brief profile of independent external directors.

Carlos Espinosa de los Monteros Bernaldo de Quirós. (63)

An independent director since May 1997. A graduate in Law and Business Studies from ICADE, he is a Commercial Expert and State Economist and holds an MBA from Northwestern University. He has been the Deputy Chairman of the Instituto Nacional de Industria, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the Circulo de Empresarios, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he is the Chairman of the Board of Directors of Daimler Chrysler España and of Fraternidad–Muprespa, and Board member of Acciona, S.A..

Francisco Luzón López. (59)

An independent director since February 1997. He is a graduate in Business Studies and Economics from the University of Bilbao. He has collaborated as a lecturer at the University of Deusto (Bilbao). He joined the Banco de Vizcaya in 1972, gaining wide experience in that Group in different Units and functions, becoming General Manager and Board member in 1986. In 1988 and after its merger with the Banco de Bilbao, he went on to become a member of the Board of Directors of the Banco Bilbao Vizcaya. At the end of the same year, he was appointed President of the Banco Exterior de España, office which he held from 1988 to 1996. In 1991 he was the impulse behind the creation of the new

Grupo Bancario Argentaria of which he was the founder and was Chairman until 1996. After that year, he joined the Banco Santander Central Hispano as Director-General Manager, Deputy to the Chairman and in charge of Strategy, Communication and Institutional Relations, being at the present time, responsible for the area of Latin America for the aforementioned financial institution. He is World Deputy Chairman of Universia and Chairman of the Social Board of the University of Castilla-La Mancha.

Irene R. Miller. (55)

An independent member of the Board since April 2001. She is a science graduate of the University of Toronto with a Bachelor in Science and of Cornell University with a Master of Science in chemistry. She began her career at General Foods Corporation and later worked as an investment banker for Rothschild Inc. and Morgan Stanley & Co. In 1991 she joined Barnes & Noble as Senior Vice President of Corporate Finance and in 1993, before the flotation of Barnes & Noble, became Chief Financial Officer. In 1995, she was appointed director and Vice-Chairman of the Board of Directors of Barnes & Noble. At present time, she is the CEO of Akim, Inc., an American investment and consulting firm, which she first joined in 1997. She is also a member of the Boards of Directors of Coach Inc., (where she is lead director), Barnes & Noble, Inc. and TD Bank Financial Group. Previously, she sat on the Board of Directors of Oakley Inc., Benckiser N.V., and The Body Shop International Plc.

Juan Manuel Urgoiti López de Ocaña. (67)

He has been an independent director since January 1993. He is a graduate in Law from the University of Madrid, beginning his career in the Banco de Vizcaya in 1962. After occupying many executive positions, he was appointed General Manager in 1978, director in 1984 and CEO in 1986. In 1988, after its merger with the Banco Bilbao he was appointed CEO of the Banco Bilbao Vizcaya. He has been President of Ahorrobank, Banco de Crédito Canario, Banco Occidental, Instituto de Biología y Sueroterapia and Laboratorios Delagrange and Board member of Antibióticos, S.A. At the present time he is the Chairman of the Banco Gallego, Deputy Chairman of Acciona, S.A., member of the Board of Necso, S.A., and member of the European Advisory Board of Citigroup Global Markets. He is Chairman of the Board of Trustees, or Real Patronato, of the Reina Sofia National Museum and Art Centre and a member of the Reales Patronatos of the Prado Museum and of the Spanish National Library. He is President of the private foundation Fundación José Antonio de Castro and is a member of other foundations and institutions. He holds the Gran Cruz de Mérito Civil and has been awarded the honour of Commander of the Order of the British Empire. (C.B.E.)

José Luis Vázquez Mariño (62)

An independent Director since March 2005. A Commerce professor, he holds a B.Sc in Economic and Business Studies and is a certified public accountant. He has spent his professional career at Arthur Andersen where he was in charge of the Financial and Human Resources divisions worldwide and was made Area Managing Partner for Latin America. AT the present time, he is member of the Boards of Directors of Banco Pastor and La Voz de Galicia, S.A.

D **Other non-executive directors**

List the reasons why they can not be considered domanial or independent

There are no other non-executive directors that cannot be considered domanial or independent directors.

Indicate the variations that, where appropriate, have occurred during the period in the type of each director

There have been no variations in the type of directors during the fiscal year. With regard to the composition of the Board of Directors, one replacement has occurred with a fully neutral result from the perspective of said composition and of the internal balance between all types of directors, as is shown in paragraph B.1.4 below.

B.1.4 Classification of the directors as regards he distribution provided in the Regulations Governing the Board

The Board of Directors' Regulations provide that the Board of Directors shall be made up of directors from the three categories that are shown below:

• Executive directors, understanding as such that or those managing directors and those who under whatever title fulfil management responsibilities in the company.

• Domanial directors, understanding these to be the holders or the representatives of the holders of significant stable shareholdings in the share capital of the company that, regardless of whether these shareholdings entitle them to a position on the administrative body, have been deemed sufficiently significant by the Board.

• Independent directors, understanding as such those professionals of repute who are not linked to the executive team or the significant shareholders and that meet the requirements that ensure their impartiality and objectivity of opinion.

The aforementioned Regulations also state that the Board of Directors, in the exercise of its powers of proposal to the General Meeting and of cooption for the covering of vacant positions, shall ensure that the proportion of independent directors on the Board be at least equal to the floating capital of the company.

The number of independent directors, five, is much greater than would correspond proportionally to the Board taking into account the floating capital of the company. In that respect, Inditex was already ahead of the recommendations of the Olivencia Committee and of the Aldama Report when the company's first independent director, Juan Manuel Urgoiti López de Ocaña, joined the Board in January 1993. In 1997, the General Meeting appointed as independent directors Francisco Luzón López and Carlos Espinosa de los Monteros Bernaldo de Quirós.

Continuing this criterion of introducing independent professionals of repute onto the Board of Directors, the General Meeting of Shareholders held in April 2001 appointed two new independent directors raising the number to five, fully complying with the recommendations of the Olivencia Committee and of the Aldama Report, as the non-executive directors make up the majority on the Board and half of the Board are independent directors.

During this exercise, to fill in the vacancy occurred as a result of the spin-off of domanial director Gartler, S.L., the Board of Directors, in the session held on 12 December 2006, after favourable report of the Nomination and Remuneration Committee, nominated the new Garlter, S.L., one of the two beneficiary companies of said spin-off, newly incorporated, as Ordinary member of the Board and domanial director.

Only independent directors can be members of the Audit and Control Committee and of the Nomination and Remuneration Committee.

B.1.5 Powers delegated to the chief executive officer

The Chairman of the Board of Directors and the Executive Committee, Amancio Ortega Gaona, and the First Deputy Chairman and CEO, Pablo Isla Álvarez de Tejera, have been delegated each and every one of the powers contained in the list included further below, and these must be exercised in the following manner and conditions: all of them individually, without distinction, with the exception of those that: a) involve the disposal of funds of above a certain amount, in which case it shall be necessary that the aforementioned two members of the Executive Committee act jointly or that either of them should act jointly with another person who in virtue of any legal title is also empowered with the power in question; or/and b) involve the alienation or encumbrance of real property of the company, for which a prior resolution of the Executive Committee or, where appropriate, the Board of Directors, shall be required.

The requirement of joint action provided in the preceding paragraph shall not apply when it involves transactions, actions or contracts that, regardless of the amount involved, are carried out or awarded between companies belonging to the Inditex Group of companies, understanding as such those companies, whether Spanish or foreign, in which Inditex, S.A., whether directly or indirectly through other investee companies, is the holder of at least 50% of its share capital, in which case either of the two members of the Committee in whom powers have been vested may act severally on their own, in the name and on behalf of the company, independently of the amount involved in the matter in question.

List of powers:

1. **To appear and represent the Company** vis-à-vis all manner of authorities, agencies, centres, departments and offices of the General State Administration, Central or Peripheral Government, autonomous communities, provinces, municipalities, the Corporate, Independent and European Administration, public registries of all types and, in general, any public or private entity or person whatsoever. To sign and file all manner of applications, petitions, unsworn statements or affidavits,

pleadings and documents; make and pursue all types of claims; and, in general, exercise such powers as may be required for the management and defence of the rights of the Company.

2. **To sign, send and receive and collect** from the Spanish postal and telegraphic authorities or offices ordinary or registered postal or telegraphic correspondence, declared value items and postal and telegraphic money orders. To file any claims before said authorities or offices and, where appropriate, collect the related indemnity payments.

3. **To verify consignments of all kinds of merchandise** and goods by land, sea or air, and to receive those addressed to the Company. To file the relevant claims against railroad and shipping companies and against carriers in general for breakdowns, delays, losses or any other breach of the transportation agreement, and to collect the indemnity agreed with the same or set by the courts. To sign agreements and arrangements of all types with carriers, travel agencies, hotels, restaurants and other persons or entities who intervene in the transport of individuals or in the sphere of the hotel and catering industry.

4. **To claim and collect amounts owing to the Company** for whatever reasons and to sign the appropriate receipts. To make payments. To render and require the rendering of accounts, and to challenge or approve the same. To provide, cancel and recover all manner of bonds and deposits, including those at/of the Spanish General Savings Deposit and its branches.

5. **To enter into all manner of loan and credit agreements**. To open current, loan, savings or any other account with credit institutions and/or finance companies, both public and private; with respect to all such accounts and any other account existing in the Company's name, to deposit or pay in cash sums, withdraw amounts or dispose of same by means of receipts, cheques and drafts, pay by transfer or order transfers, endorse or send for debiting bills of exchange, trade bills and credit notes, as well as bills or invoices payable by the Company; and to approve or challenge the balances shown in such accounts; to stand guarantee for other companies belong to the "Inditex" Group of companies and, in consequence, to sign in favour of those guarantees, bonds and other guarantee documents, as well as guarantee policies and counter-guarantee policies and, in general, to carry out all that is permitted under the legislation and banking practices.

6. **To draw, endorse, assign or transfer by any means other than endorsement, to accept, sign, require conformity, guarantee, cause the assignment of the provision for**, collect, discount and pay bills of exchange, promissory notes, cheques, money orders and other commercial drafts, participate in the acceptance or payment of the same, protest such bills or drafts or make the equivalent declaration, and disclose in the protest document the reasons for not having accepted or paid the bills and drafts charged to the Company. To act as a plaintiff or defendant in connection with bills of exchange in all manner of legal matters, acts or dealings and pre-trial and procedural steps or actions due to non-acceptance or non-payment, and to bring any of the other actions provided for in the Bills of Exchange and Cheques Act or any other applicable legislation.

7. **To execute, with the aforementioned limitation in relation** to real property, all manner of acts and contracts relating to movables and real property, rights, securities, participation units, shares, interests, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and terms as are deemed appropriate. Specifically, to acquire, assign, grant and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, all manner of movable or real property, rights, trademarks and other distinctive signs and industrial property rights, securities, participation units, shares and interests; take out all manner of compulsory and voluntary insurance; execution of works, services and supplies of all kinds; to rent and let, take in leasing or sublet; to create, amend, acknowledge and extinguish real property rights; including chattel mortgages and pledges without transfer of possession and all manner of encumbrances on real and movable property and rights owned by the Company; carry out groupings of, additions of, divisions of and severances of title to properties, make declarations of new construction work and divisions of real property under the condominium ownership system, establishing the bylaws which shall govern the same; and to conduct and participate in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel or terminate the same.

8. **To grant all manner of acts and contracts** relating to IT, management, security and communication products, equipment and systems, as well as those referring to intellectual property arising out of or related with the same and, in general, any others referring to all manner of movables; to contract the execution of works, services and supplies of all types, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and conditions as are deemed appropriate. Specifically, to acquire, assign, grant, encumber and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, the aforementioned goods; to rent and let them, take them in leasing or subletting them; to create, amend, acknowledge and extinguish real property rights and guarantee rights on the movables belonging to the Company. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel, terminate or discharge them.

9. **To enter all manner of agreements** for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution, licence and agency contracts and, in general, all those that the national and international expansion of the company can require.

10. **To appear in deeds** of incorporation, alteration, merger or winding-up of all kinds of entities and companies, and attend, on behalf of the Company, assemblies, meetings or ordinary and extraordinary meetings of shareholders, intervening therein and casting their vote in the manner that they deem appropriate whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it.

11. **To attend, in the name and on behalf of the Company**, meetings, general meetings and assemblies of condominiums or co-owners, intervening therein and casting their vote in the way that they deem appropriate, whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it in Condominium Owner Communities, as well as in the meeting they these may hold in compliance with the current Condominium Property Law and other applicable legislation.

12. **To attend on behalf of the Company** all kinds of auctions and bidding called by Central Government, autonomous communities and provincial and municipal authorities and private or public persons and entities and, to this effect, submit tender conditions, declarations, plans and estimates, make bids and provide bonds; holding, in short and without any limitation whatsoever, such powers as may be required to obtain and accept, provisionally or definitively, with such qualifications as are deemed appropriate, the relevant award and to exercise the rights and perform the obligations arising therefrom.

13. **To set up the offices, workplaces and buildings** of the Company and to organize the services provided therein. To hire staff, establishing recruitment and joining terms; to freely appoint and remove the same, including executives and skilled employees; to establish their rights, duties, powers and functions, salary, bonuses and indemnity payments; to agree upon promotions and transfers; and to exercise penalization and disciplinary powers, as well as to act on behalf of the Company before the employees' collective representation bodies and to represent it in the negotiation of agreements or pacts whatever their scope or nature.

14. **To represent the Company** before any manner of authorities and administrative bodies, whatever they may be, that have authority in labour and Social Security matters, bringing proceedings and claims, requesting or not the suspension of the actions being the subject of the claim, to appear and act in matters pending in which their principal has a direct or indirect interest, in all manner of cases and proceedings, proposing and examining all types of evidence; to request and obtain documents, copies, certificates and transfers; to file, prepare and draft all manner of pleadings, applications, petitions, allegations and claims; and, in general, to carry out all those acts that are necessary in the labour life of the company, to file its registration as a company before the labour authorities and the Social Security, those necessary for and arising out of the hiring of all manner of workers, including applying for and receiving payment of subsidies and allowances, the registration of workers [with the relevant authorities], etc., as well as those actions that are necessary for or are motivated by the amendment or termination of that labour relationship; those that are necessary for or arise out of the training that has to be given to the personnel of the company; statements and payments of Social Security contributions, requests for postponement and refunds, all that are necessary in the relations of the company with the employment and job-search offices; and, in general, to following the procedures through all its stages and motions, bringing the appropriate actions before the courts or not, until such time as firm decisions are obtained and fully enforced.

15. **To represent the company before all manner** of authorities and administrative bodies, whatever these may be, that have authority in respect of Health and Safety at Work and Labour Risks, bringing proceedings and filing claims and, in general, carrying out all those actions that may be desirable for the principal company in those cases in which it, directly or indirectly, may have an interest. To carry out all that may be necessary to promote and maintain the safety of the workers in the work-places, complying with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and executive the policy for the prevention of risks; to act in the name of the company before the workers and their representative bodies and participating bodies as regards prevention; to draw up and introduce an occupational hazard plan; to organise the prevention service, providing it with the material and human resources that are necessary for it to develop its activity; to contract and to sign arrangements with authorised entities for the provision or acting as external prevention services; to carry out, organise and arrange the carrying out of assessments of risks, medical check-ups and other health check measures and prevention systems; to contract the performance of external labour risk prevention audits and, in general, all those acts that are related to such risks. To proceed to insure common and occupational risks of the workers, signing agreements and association documents with of the Social Security Agencies and Mutual Insurance Companies for Work Accidents and Industrial Deseases of the Social Security, or entities that should replace them in such functions and tasks, reporting or putting an end to, at the appropriate time, those that may have been signed; to accept positions and participate in those governing boards and advisory boards of such entities collaborating in the management of Social Security.

16. **As regards procedural rules**, to exercise all those actions that are available to the principal and to waive those brought. To appear before the ordinary and special Courts of Law and Tribunals of all levels and jurisdictions, in all manner of trials, as well as in any kind of voluntary jurisdiction cases, administrative and economic-administrative cases. Consequently, to enter into conciliation agreements, with or without composition settlements, to mediate in pre-court proceedings, to file relevant claims and to answers summons and notifications, to sue, contest or accept, and report or lodge complaints; to file statements and ratify them, request and obtain documents; to request the practice of any proceedings whatsoever including: indictments, imprisonment and releases from prison; to hear notifications, notices, citations and summons, to assert and challenge jurisdictions; to apply for joinder of claims; challenge judges, magistrates and court officials; to propose and examine evidence and submit depositions; to attend court appearances, hearings and meetings and speak and vote, including Meetings of Creditors in all manner of collective execution proceedings, and may take part in auctions and request the adjudication of goods in partial or total payment of the debt being claimed; to reach a composition in court and outside court, to file and pursue, to the end, the litigation or case through its particular proceedings, possible incidents and appropriate appeals, until such time as firm resolutions, decisions or judgments are obtained and enforced; to take responsibility for the money or goods that are subject to the procedure being followed and, in general, exercising in the name of the company any rights that it may be entitled to.

17. **To compromise and refer to arbitrators** all matters in respect of which they are empowered, either in any of the types of arbitration proceedings with the scope and under the requirements provided for in Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

18. **To request that a Notary** Public enter into record the minutes, and to serve and receive notices and notarial demands.

19. **To replace some or all of the foregoing powers** by granting the relevant powers of attorney and to revoke all the powers granted, and to get copies of all kinds of records and deeds.

20. **To execute in public deeds** the resolutions passed by the Shareholders in General Meeting, the Board of Directors and the Executive Committee.

B.1.6 Members of the board who hold the position of director or senior manager in other companies that are part of the group of the listed Company

Name or company name of the director	Company name of the entity of the group	Office
Mr. Pablo Isla Álvarez de Tejera	BERSHKA ESPAÑA, S.A.	Director
	CHOOLET, S.A.	Chairman
	DENLLO, S.A.	Chairman
	CONFECCIONES FIOS, S.A.	Chairman
	GLENCARE, S.A.	Chairman
	CONFECCIONES GOA, S.A.	Chairman
	GRUPO MASSIMO DUTTI, S.A.	Director
	HAMPTON, S.A.	Chairman
	KENNER, S.A.	Chairman
	NIKOLE, S.A.	Chairman
	OYSHO ESPAÑA, S.A.	Director
	PULL&BEAR ESPAÑA, S.A.	Director
	SAMLOR, S.A.	Chairman
	STEAR, S.A.	Chairman
	STRADIVARIUS ESPAÑA, S.A.	Director
	TEMPE, S.A.	Deputy Chairman
	TRISKO, S.A.	Chairman
	ZARA ESPAÑA, S.A.	Director
	ZINTURA, S.A.	Chairman
	MASSIMO DUTTI, S.A.	Director
	ZARA MÉXICO, S.A. DE C.V.	Director

Name or company name of the director	Company name of the entity of the group	Office
Mr. Antonio Abril Abadín	MASSIMO DUTTI, S.A.	Secretary non member
	BERSHKA LOGÍSTICA, S.A.	Secretary non member
	COMDITEL, S.A.	Secretary non member
	CHOOLET, S.A.	Secretary non member
	DENLLO, S.A.	Secretary non member
	CONFECCIONES FIOS, S.A.	Secretary non member
	GLENCARE, S.A.	Secretary non member
	CONFECCIONES GOA, S.A.	Secretary non member
	GOA-INVEST, S.A.	Secretary non member
	GRUPO MASSIMO DUTTI, S.A.	Secretary non member
	HAMPTON, S.A.	Secretary non member
	INDITEX, S.A.	Director
	INVERCARPRO, S.A.	Director
	KENNER, S.A.	Secretary non member
	KETTERING, S.A.	Secretary non member
	KIDDY'S CLASS ESPAÑA, S.A.	Secretary non member
	LEFTIES ESPAÑA, S.A.	Secretary non member
	LIPRASA CARTERA, S.L.	Secretary non member
	MASSIMO DUTTI LOGÍSTICA, S.A.	Secretary non member
	NIKOLE, S.A.	Secretary non member
	OFTEN TEXTIL, S.A.	Secretary non member
	OYSHO ESPAÑA, S.A.	Secretary non member
	OYSHO LOGÍSTICA, S.A.	Secretary non member
	PLATAFORMA EUROPA, S.A.	Secretary non member
	PLATAFORMA LOGÍSTICA LEON, S.A.	Secretary non member
	PULL&BEAR ESPAÑA, S.A.	Secretary non member
	PULL&BEAR LOGÍSTICA, S.A.	Secretary non member
	SAMLOR, S.A.	Secretary non member
	STEAR, S.A.	Secretary non member
	STRADIVARIUS ESPAÑA, S.A.	Secretary non member
	TEMPE, S.A.	Deputy Chairman Director
	TRISKO, S.A.	Secretary non member
	ZARA, S.A.	Secretary non member
	ZARA ESPAÑA, S.A.	Secretary Director
	ZARA LOGÍSTICA, S.A.	Secretary non member
	ZINTURA, S.A.	Secretary non member
	ZARA BELGIQUE, S.A.	Director
	ZARA CANADA, S.A.	Director
	ZARA CHILE, S.A.	Director
	ZARA DANMARK, S.A.	Director
	ZARA HELLAS, S.A.	Director
	ZARA VASTGOED, B.V.	Director
	ZARA HOLDING, B.V.	Supervisory Director
	ZARA Luxembourg, S.A.	Director
	ZARA NORGE, AS	Director
	ZARA SUISSE, SARL	Director
	ZARA SVERIGE, AB	Director
	G.ZARA URUGUAY, S.A.	Director
	ZARA VENEZUELA, S.A.	Director

B.1.7 Directors of the Company that sit on the board of other listed companies on official stock markets in Spain that are not part of the group

Name or company name of director	Listed company	Office
Pablo Isla Álvarez de Tejera	TELEFÓNICA, S.A.	Ordinary member of the Board of Directors
Carlos Espinosa de los Monteros Bernaldo de Quirós	ACCIONA, S.A.	Ordinary member of the Board of Directors
Francisco Luzón López	BSCH	Ordinary member of the Board of Directors
Juan Manuel Urgoiti López de Ocaña	ACCIONA, S.A.	Deputy Chairman
José Luis Vázquez Mariño	BANCO PASTOR, S.A.	Ordinary member of the Board of Directors

B.1.8 Remuneration of the directors accrued during the year

A **In the company that is the subject of this report**

Item - remuneration	Amounts in thousands of euros
Fixed remuneration	1,364
Variable remuneration	825
Per diems	-
Provisions set forth in the Articles of Association	-
Options on shares and/or other financial instruments	-
Others	1,736
Total	**3,925**
Other Benefits	**Amounts in thousands of euros**
Advances	-
Loans granted	-
Pension Funds and Plans: Contributions	-
Pension Funds and Plans: Obligations contracted	-
Life insurance premiums	-
Guarantees contracted by the company in favour of the directors	-

B **From the company's directors belonging to other boards of directors and/or the senior management of companies of the group**

Item - remuneration	Amounts in thousands of euros
Fixed remuneration	25
Variable remuneration	-
Per diems	-
Provisions set forth in the Articles of Association	-
Options on shares and/or other financial instruments	-
Others	-
Total	**25**
Other Benefits	**Amounts in thousands of euros**
Advances	-
Loans granted	-
Pension Funds and Plans: Contributions	-
Pension Funds and Plans: Obligations contracted	-
Life insurance premiums	-
Guarantees contracted by the company in favour of the directors	-

C **Total remuneration by type of director**

Tipología consejeros	By company	By group
Executive	3,045	25
Non-executive Domanial	90	-
Non-executive Independent	790	-
Other Non-executive	-	-
Total	**3,926**	**25**

D **With respect to the income attributed to the controlling company**

Total remuneration of directors (thousands of euros)	**3,950**
Total remuneration of the directors / income attributed to the controlling company (expressed in %)	**0.39%**

B.1.9 Members of senior management who are not in turn executive directors and total remuneration accrued in their favour during the fiscal year

Name or company name	Position
Lorena Alba Castro	Logistics General Manager
Eva Cárdenas Botas	ZARA HOME Manager
Carlos Crespo González	Internal Audit Director
Javier Chércoles Blázquez	CSR Director
José Pablo del Bado Rivas	PULL & BEAR Manager
José María Druet Ampuero	HR General Manager
Jesús Echevarría Hernández	Chief Communication and PR Officer
Ignacio Fernández Fernández	Tax Director
Agustín García-Poveda Fernández	International Division General Manager
Abel López Cernadas	Export and Transport Director
Marcos López García	Stock Market Director
Juan José López Romero	Purchasing and Contracting Director
Carlos Mato López	ZARA Manager
Gabriel Moneo Marina	IT General Manager
Javier Monteoliva Díaz	Legal Department Director
Arantxa Murciano	Import Director
Elena Nogueira García	KIDDY'S CLASS Manager
Jorge Pérez Marcote	MASSIMO DUTTI Manager
Óscar Pérez Marcote	BERSHKA Manager
Ramón Reñón Túñez	Expansion General Manager
Antonio Rubio Merino	Chief Financial Officer
Carmen Sevillano Chaves	OYSHO Manager
Jordi Triquell Valls	STRADIVARIUS Manager
Total remuneration senior management (thousands of euros)	**9,395**

B.1.10 Guarantee or protective clauses, and obligation, where appropriate, to communicate them so as to be approved by the bodies of the company or of its group, for cases of dismissal or changes in control, in favour of the members of the senior management, including the executive directors, of the company or of its group

Number of beneficiaries	10

Article 15.2.(f) of the Revised Text of the Board of Directors' Regulations, in its wording approved by that body in its meeting held on 10 June 2004, included among the basic responsibilities of the Nomination and Remuneration Committee that of reporting to the Board, before the holding of its meeting, on staff contracts containing guarantee or protective clauses for cases of dismissal or changes in control.

With this respect, it was resolved by the Board of Directors in the meeting held on 9 June 2005, after favourable report of the Nomination and Remuneration Committee, to acknowledge and give its consent to the employment agreements containing guarantee or severance agreements entered into with Senior Managers, executive directors inclusive.

B.1.11 Process used to establish the remuneration of the members of the Board of Directors and the clauses in the articles of association relating thereto

The General Meeting of Shareholders is the body responsible for approving the system and the amount of the remuneration of the directors.

Article 33 of the Articles of Association currently in force provides the following:

1.- The remuneration of the directors shall consist of a fixed annual remuneration for each director the amount of which shall be decided by the General Meeting of Shareholders for each fiscal year or be valid for those fiscal years that the Meeting establishes. In the same manner, the General Meeting of Shareholders may assign per diems for attendance of the meetings of the Board of Directors or of its Delegate or Consultative Committees and set the amount thereof.

2.- Additionally, systems of remuneration may be established that are referenced to the market value of the shares or which entail the giving of shares or option rights over shares, destined for the directors. The application of said systems of remuneration must be agreed by the General Meeting of Shareholders, which shall determine the value of the shares that it takes as a reference, the number of shares to be given, the exercise price of the option rights, the period of duration of this remuneration system and the other conditions that it considers appropriate.

Likewise, and after having met the requirements laid down by the Law, similar remuneration systems may be established for the personnel, whether management personnel or not, of the company and of the companies in its group.

3.- The remuneration foreseen in this article shall be compatible with and independent of the salaries, remunerations, indemnifications, pensions or compensations of any kind, generally or extraordinarily established for those members of the Board of Directors who perform executive duties, whatever their relationship with the company, whether a labour (common or special senior management relationship), mercantile or service relationship, relationships that shall be compatible with the status of member of the Board of Directors.

4.- The company may take out public liability insurance for its Directors.

For their part, the Board of Directors' Regulations establish in **Article 28**:

1. The director shall be entitled to receive the remuneration fixed by the General Meeting of Shareholders in accordance with the provisions of the Articles of Association and of these Regulations in accordance with the indications of the Nomination and Remuneration Committee.

2. The Board shall endeavour for the remuneration of the director to be moderated according to market demands. Likewise, the Board shall ensure that the remuneration of the non-executive directors is such that it offers incentives to dedication by the directors, while not creating an obstacle as regards their independence.

3. The Nomination and Remuneration Committee shall prepare a report on an annual basis, which shall be submitted to the Board of Directors and shall be included in the Annual Report of the company. The report shall state, director by director, the amount of money they receive as directors, separating the different items, such as fixed allocations, per diems, share options or any other remuneration system bound to the shares. Furthermore, as regards the executive directors, it will mention, at least, the total aggregate remuneration they all receive from the company or from the companies of its group in respect of any office they might hold other than that of director.

The General Meeting held on 18 July 2006 resolved to set, with indefinite validity until a later General Meeting should resolve otherwise, and effective as of 1 February 2006, the remuneration of the directors of Inditex in the following manner, the quantities stated in the sections (b) to (e) below being totally independent and fully compatible between each other:

a. The Chairman of the Board of Directors shall receive a fixed annual amount of six hundred thousand euros (€ 600,000), being this the only remuneration that he will receive from the company for all concepts;

b. Each director shall receive a fixed annual amount of ninety thousand euros (€ 90,000) for the tenure of their office;

c. The First and Second Deputy Chairmen of the Board of Directors shall also receive an additional fixed annual amount of forty thousand euros (€ 40,000);

d. The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee shall also receive an additional fixed amount of twenty-four thousand euros (€ 24,000); and

e. The directors who for their part sit on the Executive Committee, the Audit and Control Committee or / and on the Nomination and Remuneration Committee (including the Chairmen of the last two Committees) shall also receive an additional fixed amount of eighteen thousand euros (€ 18,000).

B.1.12 Members of the Board who are, in turn, members of the board of directors or senior managers of companies that posses significant stakes in the listed company and/or entities of the group

Name or company name of the director	Company name of the significant shareholder	Office
Amancio Ortega Gaona	GARTLER, S.L. and PARTLER 2006, S.L.	Chairman of the Board

Relevant relationships, other than those covered in the foregoing paragraph, of the members of the Board of Directors that link them with the significant shareholders and/or in entities of the Group.

There are no relevant relationships, other than those covered in the previous paragraph, of the members of the Board of Directors that link them to the significant shareholders and/or in entities of the group.

B.1.13 Modifications made to the board of Directors' Regulations during the fiscal year

During this fiscal year, the text of the Board of Directors´ Regulations has been amended, further to a resolution of said body passed in the session held on 13 June 2006, to adjust the contents thereof to the stipulations of the First Final Provision of Act 19/2005, of 14 November, on the European Public Limited Company with corporate seat in Spain, in the matter of the term of the office of director, which shall be the same for all members of the Board, and to correct an error which has been revealed in the text of the Regulations.

B.1.14 Procedures for the appointment, re-election, assessment and removal of directors. Authorised bodies, procedures to follow and the criteria to be used in each of the procedures

The system for the selection, appointment and re-election of members of the Board of Directors of Inditex constitutes a formal and transparent procedure, expressly regulated in the Articles of Association and the Board of Directors' Regulations.

The directors shall be appointed by the General Meeting, and shall hold their office during the period established to this purpose by the Articles of Association, which at present is of five years.

The directors may be re-elected indefinitely, for periods of equal or less duration, by the General Meeting, which may likewise agree the removal of any of these at any time.

The Board of Directors itself may provisionally cover the vacancies that arise on said Board, designating from among the shareholders the persons who will have to fill the vacancies until the first General Meeting thereafter.

The proposals for the nomination of directors that the Board of Directors submits to be considered by the General Meeting, and the nomination decisions that said body adopts in virtue of those powers to co-opt that are legally attributed to it, must be preceded by the relevant report from the Nomination and Remuneration Committee.

When the Board departs from the Nomination and Remuneration Committee's suggestions, it must state the reasons for its actions and place its reasons on the record.

The Board of Directors and the Nomination and Remuneration Committee, within the scope of their competences, shall endeavour for the choice of candidates to fall on persons of well-known ability, competence and experience, and must maximize their rigour in relation to those persons called to cover the positions of independent directors.

The Board of Directors may not propose or appoint to fill an independent director's position any persons who do not satisfy the criteria of independence established in section 1(c) of **article 7** of the Board of Directors' Regulations, or those who at that time hold the position of director simultaneously in more than four listed companies other than the company.

The proposals for re-election of directors that the Board of Directors decides to submit to the General Meeting will have to be subjected to a formal process of preparation, which shall include, necessarily, a report issued by the Nomination and Remuneration Committee in which the quality of work and the dedication to office of the proposed directors during their previous mandate shall be assessed.

In this respect, the Nomination and Remuneration Committee has, amongst others, the following responsibilities:

a) **To prepare and check** the criteria that must be followed for the composition of the Board of Directors in addition to selecting the candidates;

b) **To advise on the proposals for nominations** of directors prior to their nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors by the co-optation procedure;

c) **To advise on the nomination** of the internal offices of (Chairman, Deputy Chairman or Chairmen, CEO, Secretary and Deputy Secretary) of the Board of Directors;

d) **To propose to the Board the members** that must form part of each of the Committees;

Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions presented by the Chairman, the members of the Board, the management or the shareholders of the company.

As regards the assessment and removal of directors, the Nomination and Remuneration Committee is expressly entrusted with the following functions:

a) **To prepare and review the criteria** that must be followed for the selection of the senior management of the company and to report on the appointment or removal of the senior managers reporting directly to the Board of Directors, including the CEO.

b) **Report annually to the Board** on its assessment of the performance of the senior management of the company and especially of the CEO and his remuneration.

B.1.15 Cases in which the directors are obliged to resign

The Board of Directors' Regulations, in **article 24**, establishes a provision with respect to the obligation of the directors to resign in cases that could negatively affect the working of the Board or the credit and reputation of Inditex.

The directors must place their office at the disposal of the Board of Directors and, if this latter should consider it advisable, tender their resignation in the following cases:

a) **When they reach a certain age**, under the terms detailed in section B.1.20.

b) **When they cease to hold the executive** positions to which their appointment as director was associated.

c) **When they are involved** in any of the cases of incompatibility or prohibition foreseen in the Law, the Articles of Association or in the Board of Directors' Regulations. In particular, the independent directors shall place their office at the disposal of the Board of Directors and shall tender, when appropriate, their resignation in the event that they fall under any of the cases of incompatibility or prohibitions provided by **article 7.1. (c)** of those Regulations or in the event that they suddenly come to hold the post of director in more than four listed companies other than the company.

d) **When they are seriously admonished** by the Audit and Control Committee for having breached their duties as directors.

e) **When their remaining** on the Board might jeopardise the interest of the company or when the reasons for their appointment cease to exist.

B.1.16 Measures that have been adopted to limit the risks of the accumulation of power in the top executive of the company and chairman of the board

Mr. Amancio Ortega Gaona is the founder, majority shareholder and Chairman of the Board of Directors of Inditex and therefore, he is a domanial executive director of the company.

Mr. Pablo Isla Álvarez de Tejera has been a member of the Board of Directors, since 9 June 2005 and First Deputy Chairman of the Board since 26 September 2005.

The measures to limit the risks of the accumulation of power in a single person are found not only in the designation of a Deputy Chairman of the Board and CEO and in the delegation of powers to this person, but also through the granting of wide powers to the executive directors, which are complementary to the powers delegated to the Chairman and CEO.

Likewise, since 26 September 2006, independent director Mr Carlos Espinosa de los Monteros Bernaldo de Quirós holds the office of Second Deputy Chairman of the Board of Directors.

B.1.17 Qualified majorities, other than the legal majorities, required for any decision. Process to pass resolutions on the Board of Directors, minimum quorum of attendance and type of majorities required to pass the resolutions

Article 28 of the Articles of Association of the company provides:

1.- The Board shall meet whenever required by the interests of the company. Meetings shall be convened by the Chairman or acting Chairman, on his own initiative or at the request of at least one-third of its members.

2.- Board meetings shall be validly held when attended either in person or by proxy by half plus one of the members in office.

Without prejudice to the foregoing, the Board shall be understood to be validly constituted without the need for notice if all its members are present in person or by proxy and they unanimously agree to the holding of a meeting.

The Board may also pass resolutions in writing without needing to hold a meeting, in accordance with the provisions of the Spanish Corporation Law. Likewise, the meetings of the Board shall be held via telephone multiconference, videoconference or via any other similar system that allows one or several directors to attend the meeting through such system. To this end, the notice of the meeting of the Board of Directors shall state the location where the meeting is physically to be held, to which the Secretary of the Board must go. It shall also state that it is possible to attend said meeting via telephone conference call, videoconference or via an equivalent system, and it must indicate and have available the appropriate technical devices required for this purpose, in order to permit direct and simultaneous communication among the members attending the meeting. The Secretary of the Board of Directors shall include in the minutes of the meetings of the Board of Directors held by *such means, in addition to the directors physically attending or, where appropriate, represented by another director, those directors attending the meeting via telephone multiconference system, videoconference or via a similar system.*

3.-Any director can appoint in writing another director as proxy, each meeting requiring a special proxy, notifying the Chairman of the same in writing.

4.-For resolutions to be passed, an absolute majority of votes in favour by the directors attending the meeting shall be required. In the case of an equality of votes, the Chairman shall have a casting vote. The foregoing is understood without prejudice to the provisions of Article 30.2 of these Articles of Association.

5.-The Board's debates and resolutions shall be entered in a Minutes Book, each one of which shall be signed by the Chairman and the Secretary or by those who acted for them at the meeting to which the minutes refer. Copies and certificates of the Minutes shall be authorized and issued by the Secretary of the Board with the approval of the Chairman or by those who substituted them.

6.-The Board shall have to decide which of its members shall make effective its own resolutions as well as those the General Meeting of Shareholders, when the latter has not expressed who shall execute them. Failing such a decision by the Board, the making effective of resolutions shall be the duty of the Chairman, or the acting Chairman at that time, according to the certification of the Secretary of the Board.

7.-The Secretary and, where appropriate, the Deputy Secretary, even when they are not directors, shall be empowered to convert the company's resolutions into public documents.

The reference in **Article 28.4** of the Articles of Association to **Article 30.2** constitutes the only case, in addition to that provided in **article 3.4** of the Board of Directors' Regulations, of enhanced majority for the passing of resolutions by the Board of Directors.

The aforementioned **Article 30.2** of the Articles of Association provides that it shall be necessary that two-thirds of the members of the Board vote in favour in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the CEO, if such post has been appointed, and for the appointment of the directors who have to fill such positions. However, this enhanced majority is required pursuant to the provisions of article 141.2 of the Spanish Corporation Act, and therefore it does not constitute a higher quorum than the one statutorily required

As for **article 3.4** of the Board of Directors' Regulations, it requires the resolution to be passed by a majority of two-thirds of the directors present for the modification of said Regulations, which actually means an enhanced majority not statutorily required

For its part, **Article 17** of the Board of Directors' Regulations provides:

1.The Board of Directors shall ordinarily meet on a three-monthly basis and, at the initiative of the Chairman, whenever the same should consider it appropriate for the good working of the Company. The Board of Directors must also meet when a meeting is requested by at least one-third of its members, in which case it shall be called by the Chairman to meet within the fifteen days following the request.

2.Notice of ordinary meetings shall be carried out by letter, fax, telegram or electronic mail, and shall be authorized by the signature of the Chairman or that of the Secretary or the Deputy Secretary by order of the Chairman. The notice shall be issued at least three days in advance.

The notice of the meeting shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

3.The Chairman of the Board of Directors may call extraordinary meetings of the Board when in his opinion the circumstances so justify it, without the period of advance notice and the other requirements indicated in the previous section applying in such cases. Furthermore, the Board shall be considered validly constituted without the need for notice if, all its members being present or represented, these unanimously agree to the meeting taking place.

4.The Board may equally pass resolutions in writing without the need for a meeting, in accordance with the provisions of the Spanish Corporation Law. Furthermore, the Board may hold a meeting via videoconference or conference call, in order that one or more directors may attend the meeting through the aforementioned system. For this purpose, the notice for the meeting of the Board shall state not only where the meeting is physically to be held, where the Secretary of the Board must go to, but also the possibility that the meeting may be attended via conference call, videoconference or equivalent system, and it must indicate and have available the appropriate technical devices required for this purpose, which in any case must permit direct and simultaneous communication among the members attending the meeting. The Secretary of the Board shall record in the minutes of the meetings held by these means not only the members of the Board physically present or, where appropriate, represented by another director, but also the members attending the meeting via multiconference call, videoconference or similar system.

5.The Board shall draw up an annual calendar of its ordinary meetings.

B.1.18 Specific requirements needed to be appointed chairman

No specific requirements, other than the capacity of director of the company, are demanded to be appointed Chairman of the Board of Directors.

B.1.19 Casting vote of the chairman

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting. This is understood without prejudice to the provisions of **article**

30.2 of the Articles of Association and of **article 3.4** of the Board of Directors´ Regulations, referred to in section B.1.17 above.

B.1.20 Age limits for directors

Article 24.2 of the Board of Directors' Regulations states that the directors must place their office at the disposal of the Board of Directors and, if this should deem it appropriate, tender the relevant resignation:

a. When they reach the age of 68. However, the directors who hold the office of Chief Executive Officer or Managing Director shall place their office at the disposal of the Board of Directors upon reaching the age of 65, being able to continue as ordinary members of the Board of Directors until the aforementioned age of 68. As an exception, the foregoing rules shall not apply in the case of the founding Chairman of the company, Amancio Ortega Gaona.

B.1.21 limited term of office for independent directors

Neither the Articles of Association nor the Board of Directors' Regulations establish a limited term of office for the independent directors.

B.1.22 Formal procedures to grant proxies in the Board of Directors

Article 28.3 of the Articles of Association establishes that any director can grant proxy to another director for his representation, such proxy being of a special nature for each meeting, communicating this in writing to the Chairman.

In line with this provision, **article 19.1** of the Board of Directors' Regulations states that the Board meeting will be validly held when it is attended by at least half plus one of its members (or the whole number of directors immediately above half, should the Board be comprised of an odd number), whether in person or by proxy, stating further that the directors shall do their best to attend the Board meetings and, when they cannot do so in person, they shall grant a proxy to another member of the Board giving instructions as to its use and communicating the same to the Chairman of the Board of Directors.

B.1.23 Number of meetings held by the Board of Directors during the fiscal year and number of times that the Board has met without its Chairman being present

Number of Board meetings	5
Number of Board meetings without the presence of the Chairman	1

Number of meetings held over the fiscal year by the different committees of the Board	
Number of meetings of the Executive Committee	0
Number of meetings of the Audit Committee	9
Number of meetings of the Nomination and Remuneration Committee	3

B.1.24 Previous certification of individual and consolidated annual accounts

The individual and consolidated annual accounts that are presented in order to be prepared by the Board are previously certified by the First Deputy Chairman of the Board and CEO and by the Chief Financial Officer.

B.1.25 Mechanisms established by the Board of Directors to prevent the individual and consolidated accounts being presented to the General Meeting with qualifications in the auditors' report.

The Audit and Control Committee, made up entirely of independent, non-executive directors, has meetings with the auditors of the individual and consolidated annual accounts in order to review the company's annual accounts and certain periodic financial information that the Board must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drawing up thereof. In such meetings, any disagreement or difference of opinion existing between the management of the company and the external auditors is put forward, so that the Board of Directors can take the necessary steps so that the audit reports are issued without qualifications.

Furthermore, previously to the drafting of the annual or quarterly accounting statements, the management of the company also holds a meeting with the Audit and Control Committee and is subjected by the latter to suitable questions as to the application of accounting principles, estimations made in the preparations of the financial statements, etc., matters which are subject to discussion with the external auditors.

In this respect, **Article 43.4** of the Board of Directors' Regulations states:

The Board of Directors shall endeavour to definitively prepare the accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board considers that it must maintain its opinion, it shall publicly explain the content and scope of the discrepancy.

B.1.26 Measures taken so that the information given to the market is transmitted equitably and symmetrically

Article 42.1 of the Board of Directors' Regulations lays down that the Board of Directors shall inform the public immediately about:

a) Relevant information, which is capable of significantly affecting the formation of prices on the stock market.

b) Relevant changes in the company's ownership structure, such as variations in significant holdings, syndication pacts and other forms of coalition, of which it has become aware.

c) Substantial modifications of the company's rules of governance.

d) The treasury stock policy that, where appropriate, the company proposes carrying out under the authorizations obtained in the General Meeting and their modifications.

For its part, **article 42.2** of the aforementioned Regulations provides that the Board of Directors shall take the necessary steps to ensure that the half-yearly and quarterly financial information and any other financial information that prudence requires to be put at the disposal of the markets is drafted under the same principles, criteria and professional practices as those used for the annual accounts and that they are as reliable as these last. For this last purpose, the Audit and Control Committee shall review said information.

Furthermore, the company releases information to the market following the principles included in the Internal Regulations of Conduct, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit.

Communications to the markets occur after having carried out the relevant filings, where appropriate, at the CNMV and, preferably, after the close of trading of the Spanish stock markets, in accordance with the Internal Regulations of Conduct, which states that the communication to the CNMV must be done previously to communication by any other medium and as soon as the relevant fact is known, the relevant decision has been taken or the relevant agreement or contract with third parties has been signed.

Likewise, the communications of relevant information are accessible through the "Information for Shareholders and Investors" section on the company's web page as soon as they have been communicated to the CNMV.

The company releases the relevant information to the market simultaneously by the following means:

• Results Release to a distribution list containing 1,000 entries with investors, analysts and the information media of the market. Inclusion in the distribution list is free.

• Press releases to some 675 media and press agencies.

After sending the Results Releases, the company carries out freely accessible webcast conference calls in which upwards of 125 investors and analysts take part and which include a question and answer session.

On a six-monthly basis, the management team of the company does a roadshow in the main European and American financial marketplaces.

B.1.27 The secretary of the board and board member

The Secretary and Letrado Asesor [Consultant Lawyer] of the Board of Directors, Antonio Abril Abadín, holds the office of director and of member of the Executive Committee.

B.1.28 Mechanisms established by the company to preserve the independence of the auditor, the financial analysts, investment banks and credit rating agencies

Article 43 of the Board of Directors' Regulations, under the heading "Relations with the auditors" states in paragraphs 1, 2 and 3 as follows:

1. The relations of the Board with the external auditors of the company shall be channelled through the Audit and Control Committee.

2. The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the company of any auditing firm which *would be incompatible in accordance with auditing legislation as well as those audit firms where the fees that the company expects to pay them for all services in all areas are greater than five percent of the audit firm's total revenues during the last fiscal year.*

3. The Board of Directors shall publicly disclose the whole of the fees that have been paid by the company to the audit firm for services other than auditing.

The mechanisms established to preserve the independence of the external auditor are the following:

• It is incumbent on the Audit and Control Committee, made up exclusively of independent directors, to propose to the Board of Directors, in order to be studied by the General Meeting of Shareholders, the appointment of the auditors. Furthermore, to propose to the Board of Directors the terms of their contracts, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment;

• Among the functions of the aforementioned Committee is also that of liaising with the external auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.

• Likewise, the Audit and Control Committee monitors the conditions and the enforcement of the contracts entered into with the external auditors of the Company to carry out assignments or tasks other than those covered by the audit contract.

• The external auditors consult periodically with said Committee, as is explained in point B.1.25 above, in order to review the annual accounts of the company and certain periodic public information that the Board of Directors must provide to the markets and its supervisory boards.

• The company reports in its consolidated annual report on those fees paid to its external auditors for each item that is other than the auditing of the financial statements.

As regards the mechanisms established to guarantee the independence of the financial analysts, the company, as has already been stated in section B.1.26 above, releases information to the market following the principles included in the Internal Regulations of Conduct, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit.

The company has not contracted services from Investment Banks or Credit Rating Agencies during fiscal year 2006.

B.1.29 Works carried out by the company and/or its goup other than auditing; amount of the fees received for said work and percentage that it represents of the fees charged to the company and/or its group

The auditing firm does carry out other work for the company and its group other than that of auditing.

	Company	Group	Total
Amount of other work apart from that of auditing (thousands of euros)	110	199	309
Amount of work other than that of auditing / total amount charged by the auditing firm (in %)	22.6%	6.5%	8.7%

B.1.30 Number of years that the current audit firm has uninterruptedly been auditing the annual accounts of the company and/or its group. Percentage that represents the number of years audited by the current audit firm over the number of years in which the annual accounts have been audited

	Company	Group
Number of uninterrupted years	5	5
No of years audited by the current audit firm / no. of years that the company has been audited (in %)	22.7%	29.4%

B.1.31 Stakes held by members of the Board of Directors of the company in the capital of entities that have the same or a similar or complementary type of activity as that which makes up the corporate object, both of the company and of its group, and that have been communicated to the company. Offices and functions they perform in those companies

All the members of the Board of Directors have communicated to the company that they neither hold stakes in the capital of companies that have the same, similar or complementary type of activity as that making up the corporate object of the company and its group nor do they hold offices or perform any functions in said entities.

B.1.32 Procedure whereby the directors can get external advice

The possibility that the directors can request external advice is expressly covered in the Board of Directors' Regulations, which in **article 27** provides the following:

1. In order to be aided in the performance of their duties, the non-executive directors may request that legal, accounting, financial or other experts be engaged at the company's expense. The commissioned task must of necessity deal with particular problems of a certain importance and complexity which may arise in the performance of the office.

2. The decision to engage external experts must be notified to the Company Chairman and can be open to veto by the Board of Directors if it proves that:

a. it is not necessary for the proper performance of the duties entrusted to the non-executive directors; or

b. the cost is not reasonable in view of the importance of the problem and of the assets and income of the company; or

c. the technical assistance obtained may be adequately dispensed by in-house experts and technicians,

d. the confidentiality of the information to be provided to the expert may be jeopardised.

B.1.33 Procedure to enable the directors to have the necessary information to prepare the meetings of the administrative bodies in a timely manner

Article 17.2 of the Board of Directors' Regulations, classified in chapter V ("Working of the Board"), after establishing that the notice for the ordinary meetings of said body shall be given at least three days in advance of the meeting, states that the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

This is complemented:

• On the one hand, by **article 26** of the aforementioned Regulations, which recognises the widest powers for the director to obtain information on any aspect of the company (and its subsidiary companies), to examine its books, registers, documents and other records of the company's operations and to inspect all its facilities, likewise establishing that the exercise of the powers of information shall be channelled through the Chairman, the Deputy Chairman or any of the Deputy Chairmen, where appropriate, or the Secretary of the Board of Directors, who will attend to the requests of the director by providing him with the information directly, offering appropriate interlocutors at the appropriate level in the organisation or establishing such measures so as to enable them to conduct the desired examinations and inspections in situ.

• On the other hand, through the director's obligation to diligently obtain information on the course of business of the company and prepare suitably for the Board meetings and for the subcommittees they belong to, as is referred to in **article 29** of the Regulations.

B.1.34 Liability insurance covering the directors of the company

There is liability insurance covering the directors of the company.

B.2 Committees of the Board of Directors

B.2.1 Administrative bodies

Name of the body	No of members	Functions
Board of Directors	10[2]	[1]
Executive Committee	7	[1]
CEO	1	[1]
Audit and Control Committee	5	[1]
Nomination and Remuneration Committee	5	[1]

[1] Functions of each of these are described in detail in this report.

[2] Since 23 September 2005 there is vacancy in the Board which has not been filled in yet, thus membership of the Board is actually comprised of nine members, although the official number thereof is ten.

B.2.2 Committees of the Board of Directors and their members

EXECUTIVE COMMITTEE

In accordance with the provisions of **article 30** of the Articles of Association, on 28 February 1997 the Board of Directors established an Executive Committee which holds in delegation all the powers of the Board, except those that cannot be delegated by law or by its Articles of Association and those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

Composition of the Executive Committee at 31 January 2007

Name	Office
Amancio Ortega Gaona	Chairman
Pablo Isla Álvarez de Tejera	Deputy Chairman
Antonio Abril Abadín	Secretary
Carlos Espinosa de los Monteros Bernaldo de Quirós	Member
Francisco Luzón López	Member
Juan Manuel Urgoiti López de Ocaña	Member
José Luis Vázquez Mariño	Member

AUDIT COMMITTEE

The Board of Directors' meeting on 20 March 2003 resolved to modify the name of the Audit and Compliance Committee in order to adapt it to the new nomenclature given by the Financial Law, going on to be called "The Audit and Control Committee".

In accordance with the provisions of **articles 31 of the Articles of Association and 14 of the Board of Directors´ Regulations**, the Audit and Control Committee is comprised of independent directors exclusively.

The Revised Text of the Board of Directors´ Regulations, approved by said body in its meeting held on 10 June 2004, enhances the functions of the Audit and Control Committee, adding to its powers that of supervising the terms and observance of the contracts entered into with the external auditors of the company for the performance of assignments or tasks other that those included in the audit contract.

Composition of the Audit and Control Committee at 31 January 2007

Name	Office
Francisco Luzón López	Chairman
Carlos Espinosa de los Monteros y Bernaldo de Quirós	Ordinary Member
Irene Ruth Miller	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member
José Luis Vázquez Mariño	Ordinary Member

Antonio Abril Abadín, director, General Counsel and Secretary of the Board acts as the Secretary-non-member of the Audit and Control Committee.

NOMINATION AND REMUNERATION COMMITTEE

In accordance with the provisions of articles 32 of the Articles of Association and 15 of the Board of Directors´ Regulations, the Nomination and Remuneration Committee is comprised of independent directors exclusively.

The Revised Text of the Board of Directors´ Regulations, approved by said body in its meeting held on 10 June 2004, enhances the functions of the Nomination and Remuneration Committee, adding to its powers that of reporting to the Board, before it holds its meeting thereof, of the contracts with the personnel that include severance agreements for those cases that imply dismissals or changes in control.

Composition of the Nomination and Remuneration Committee at 31 January 2007

Name	Office
Carlos Espinosa de los Monteros Bernaldo de Quirós	Chairman
Francisco Luzón López	Ordinary Member
Irene Ruth Miller	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member
José Luis Vázquez Mariño	Ordinary Member

Antonio Abril Abadín, director, General Counsel and Secretary of the Board acts as the Secretary-non-member of the Nomination and Remuneration Committee.

B.2.3 Organisational and working rules, and responsibilities, attributed to each of the committees of the board

The Executive Committee

The regulation of the Executive Committee is found in the Board of Directors' Regulations, **article 13** thereof providing that this shall be made up of a number of directors being no less than three nor greater than seven.

The passing of the resolutions of appointment of the members of the Executive Committee will require at least two-thirds of the members of the Board to have voted in favour thereof.

The Chairman of the Board of Directors acts as Chairman of the Executive Committee and the Secretary of the Board, who may also be assisted by the Deputy Secretary, performs the duties of secretary. The office of Deputy Chairman of the Executive Committee is held by the Deputy Chairman of the Board of Directors.

The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board to vote in favour and may include, at the Board's discretion, all or a part of the powers of the Board itself. In any case, those powers that legally or according to the articles of association cannot be delegated may not be delegated to the Executive Committee and nor may those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

The Executive Committee reports to the Board of Directors on the matters discussed and the decisions taken in its meetings.

Audit and Control Committee

The Audit and Control Committee shall be made up of a minimum of three and a maximum of five directors appointed by the Board itself, who must all be independent directors. For this purpose, those professionals of repute who are linked to the management team or to the significant shareholders and who meet the requirements to ensure their impartiality and objectivity of judgment shall be deemed to be independent

The Chairman of the Audit and Control Committee shall be elected for a period that does not exceed four years and must be replaced at the expiration of the aforementioned period. He may be re-elected once a period of one year has elapsed since the date of his ceasing in the post.

The Committee shall meet in ordinary meeting on a quarterly basis in order to revise the periodic financial information that has to be given to the Stock Market authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

The members of the management team or of the personnel of the company and its group shall be obliged to attend the meetings of the Committee and to provide help and access to the information at their disposal when the Committee so requests. Equally, the Committee may require the attendance at its meetings of the auditors of the accounts.

For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall be made up of a number of directors that is not less than three or greater than five and who must necessarily be independent directors. A Chairman will be appointed from among its members.

Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions presented to it by the Chairman, the members of the Board, management or the shareholders of the company.

The Nomination and Remuneration Committee shall meet each time that it is called to meet by its Chairman, who must do so each time the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever is suitable for the successful performance of its functions. In any event, it shall meet once a year to prepare the information about the directors' remuneration that the Board has to approve and include in its annual public documentation.

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B.2.4 Advisory and consultative powers of each one of the committees and (where appropriate) powers delegated to them

The Executive Committee

The Executive Committee, created from within the Board of Directors of the company, holds in delegation all the powers of the Board, apart from those that by law or by the Articles of Association cannot be delegated, and those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

The Executive Committee reports to the Board on the matters discussed and the decisions taken in its meetings, in such manner that the Board has complete knowledge of the decisions of the Executive Committee.

Audit and Control Committee

The Audit and Control Committee is a consultative committee, with informational, advisory and proposal powers in the matters determined by the Board itself.

Without prejudice to other tasks that the Board assigns to it, the Audit and Control Committee will have the following basic responsibilities, which are:

• To report to the General Meeting of Shareholders on those questions put forward by shareholders regarding matters within the scope of its competence.

• To propose to the Board of Directors, in order to be studied by the General Meeting of Shareholders, the appointment of the auditors of the accounts. Furthermore, to propose to the Board of Directors their contractual conditions, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment;

• To liaise with the external auditors in order to receive information on those matters that could put at risk their independence and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing.

• To supervise the fulfilment of the auditing contract, endeavouring for the opinion about the annual accounts and the main contents of the auditor's report to be drawn up in a clear and precise manner and to evaluate the results of each audit process.

• To supervise the terms and the observance of the contracts entered into with the external auditors of the Company for the performance of works or tasks other than those included in the audit contract.

• To supervise the Internal Audit Department of the Company and its Group, approving the budget of the Department, the Plan of Internal Audit, and supervising the material and human resources, whether internal or external, of the Internal Audit Department for the performance of their work. To report on the appointment of the Internal Audit Department Director prior to the corresponding report from the Nomination and Remuneration Committee.

• To supervise the process of financial information and the internal control systems of the Company, and to check the suitability and integrity of the same

• To revise the company's annual accounts and the periodic financial information that the Board must provide to the markets and to their supervisory bodies, overseeing compliance with legal requirements and correct application of generally accepted accounting principles in the drawing up thereof.

• To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.

• To examine compliance with the Internal Regulations of Conduct, the Board of Directors' Regulations, the Code of Conduct and, in general, with the rules of governance of the company, and to make the necessary proposals for their improvement.

• To receive information and, where appropriate, to issue reports on the disciplinary measures intended to be imposed on the members of the senior management team of the company.

• To report during the first three months of the year and whenever the Board of Directors so requests on compliance with the Code of Conduct and to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with the Code.

• To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.

• To draw up an annual report on the activities of the Audit and Control Committee.

• To supervise the functioning of the company's web page regarding the provision of information about corporate governance.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a consultative committee, with informational, advisory and proposal powers in the matters determined by the Board itself.

Without prejudice to other tasks that are assigned to it by the Board, the Committee shall have the following basic responsibilities:

• To prepare and review the criteria that must be followed for the composition of the Board of Directors, and to select the candidates;

• To advise on proposed nominations of directors prior to their nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors by the co-optation procedure;

• To advise on the nomination of internal positions (Chairman, Deputy Chairman or Chairmen, CEO, Secretary and Deputy Secretary) of the Board of Directors;

• To propose to the Board the members that should form part of each of the Committees;

• To prepare and review the criteria that must be followed for the selection of the senior management of the company and to report on the appointment or removal of the managers reporting directly to the Board of Directors, including the CEO.

• To report annually to the Board on its assessment of the performance of the senior management of the company, and especially of the CEO and his remuneration;

• To report on the systems and amount of the annual remuneration of directors and senior management and to prepare the information to be included in the annual public documentation about the remuneration of the directors referred to in **article 28.3**.

• To report to the Board, before it holds its meeting, on those contracts of the personnel that include severance agreements, for those cases that imply dismissal or changes in control

• To advise on transactions that imply or may imply conflicts of interest, transactions with related parties or those transactions that imply the use of corporate assets and, in general, to report on the matters included in Chapter IX of the Board of Directors' Regulations.

• To draw up and keep up-to-date a contingency plan to cover those vacancies in key positions within the company or its group.

B.2.5 Regulations of the board's committees, place where they are available for consultation and any modifications introduced during the year. Preparation of an annual activities report of each committee

The rules governing the Audit and Control Committee and the Nomination and Remuneration Committee are contained in the Board of Directors' Regulations, as well as in the Articles of Association, and there are no specific individual regulations for each of them.

The complete text of the Board of Directors' Regulations is available for consultation on both the corporate web page (www.inditex.com) and on the website of the CNMV.

In compliance with the provisions of **Art. 14.2.(n)** of the Board of Directors' Regulations, the Audit and Control Committee prepared a report on the activities it carried out during fiscal year 2006; likewise, the Nomination and Remuneration Committee drew up an annual report on the activities it performed during fiscal year 2006.

B.2.6 The degree of delegation and autonomy the executive committee has in the performance of its functions for the passing of resolutions about the administration and management of the company

In accordance with **article 30** of the Articles of Association, on 28 February 1997 the Board of Directors established an Executive Committee which holds in delegation all the powers of the Board, except those that cannot be delegated by law or by its Articles of Association, and those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

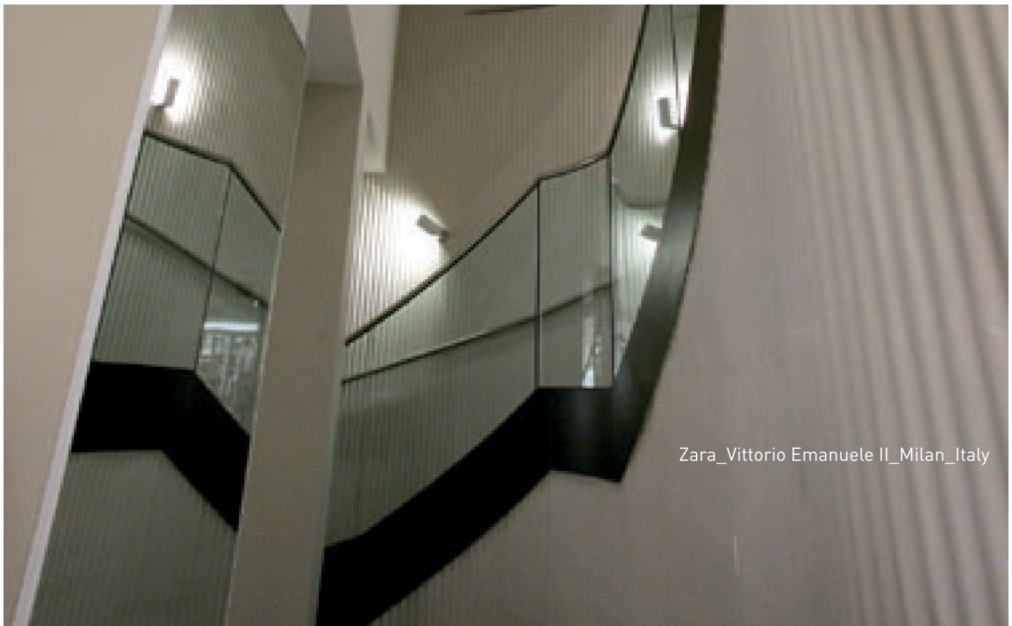
The Executive Committee reports to the Board on the matters discussed and the decisions taken in its meetings, in such manner that the Board has complete knowledge of the decisions of the Executive Committee.

B.2.7 Composition of the Executive Committee as regards the nature of directors

The Executive Committee is made up of three executive directors and four independent, non-executive directors, and thus its composition reflects a level of participation of the directors, according to their nature, which is very similar to that on the Board.

B.2.8 Composition of the nomination committee as regards the nature of its members

All the members of the Nomination and Remuneration Committee are independent, non-executive directors.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2.C
Related-party transactions

No relevant transactions from a quantitative or qualitative perspective, which have entailed a transfer of resources or obligations in fiscal year 2006 have taken place between Inditex and the related parties thereto.

However, for transparency purposes, and in accordance with the information broken down in other documents (Annual Report and Consolidated Annual Report, and half-yearly Periodic Public Information), below is a list of the transactions with related parties during FY2006 pursuant to the definitions, criteria and groupings provided in Order EHA/3050/2004, of 15 September and in Circular 1/2005, of 1st April, of CNMV.

C.1 Relevant transactions carried out which entail a transfer of resources or obligations between the company, or entities of its group, and the significant shareholders of the company

During FY2006, the Inditex Group has carried out with the majority shareholder Gartler, S.L, or with the individuals and companies related thereto, the following transactions:

Nature of transaction	Type of transaction	Amount (thousands €)
Contractual	Assets leases	(5,460)
Contractual	Assets leases	138
Contractual	Works and Leases	4,598

C.2 Relevant transactions carried out which entail a transfer of resources or obligations between the company or entities of its group, and the directors or officers of the company

.With regard to remunerations received by directors and officiers of the Company, reference is made to the provisions of sections B.1.8 and B.1.9, respectively; likewise, in addition to the abovementioned remunerations, reference is made to the provisions of section A.3 hereof regarding the rights over shares of the Company held by directors under the stock ownership plan approved by the Annual General Meeting held on 18 July 2006; the details of said plan are provided in the resolution passed by the session of the AGM and in the communications conveyed to the CNMV. Meanwhile, those senior managers mentioned under section B.1.9 hereof have the right to receive, under the above referred stock ownership plan, a maximum number of 456,000 shares, should the terms and conditions thereunder provided be met.

No relevant transactions have occurred between the Company or entities of its group and the directors or officers of the Company.

C.3 Relevant transactions carried out with other companies belonging to the same group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the company as regards its object and conditions

The transactions carried out with other companies of the group, in the proportion represented by the stake of the group in the share capital of these latter, are part of the ordinary business of the company as regards its object and conditions and have been eliminated in the process of preparing the consolidated financial statements; therefore, they are not covered by this Report.

Notwithstanding the above, the amount of the transactions carried out between Inditex and other group companies which, although being part of the ordinary business of the company as regards its object and conditions, have not been fully eliminated in the consolidation process, being consolidated under the equity method, is shown below:

Nature of transaction	Type of transaction	Amount (thousands €)
Venturer	Purchase of goods	(193,749)
Associate	Purchase of goods	(7,515)

C.4 Situations of conflicts of interest in which the directors of the company find themselves, according to the provisions of article 127 third part, of the sca

The company has no evidence that any of its directors is in a situation of conflict of interests, whether directly or indirectly, with the interests of the company.

C.5 Mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group and its directors, managers or significant shareholders

The Board of Directors' Regulations state in **Article 32** ("Conflicts of Interest"):

1. It shall be understood that a conflict of interest exist where there is a direct or indirect conflict between the interest of the Company and the personal interest of the Director. It is considered that directors have a personal interest when the matter affects them or a Person Related to them.

For the purposes of these Regulations, Related Persons are understood as being the following:

a. The spouse of the director or any other person with similar relation of affectivity.

b. The ascendants, descendants and siblings of the director or of the spouse (or any other person with similar relation of affectivity) of the director

c. The spouse (or any other person with similar relation of affectivity) of the ascendants, descendants and siblings of the director

d. Those companies where they hold the office of director or senior manager or in which they hold a significant participation, understanding as such, for the case of companies listed on any official Spanish or foreign secondary market, those referred to in section 53 of the Spanish 24/1998 Act, passed on 28 July – "The Stock Exchange Act", and its regulations, and for the case of unlisted national or foreign companies, any direct or indirect participation over twenty (20) percent of its issued share capital.

With regard to directors who are legal entities, Related Persons are understood as being the following:

a. Those partners who are included with regard to the Director legal entity, in any the situations provided in article 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange.

b. Those companies that are part of the same corporate group, as defined in article 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange, and their partners.

c. The representative, who is a natural person, the administrators de iure or de facto, the liquidators and the attorneys-in fact of the director, who is a legal entity.

d. Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the above-referred provisions regarding directors who are natural persons.

2. The following rules shall apply to the situations of conflict of interest:

a. Information: directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any situation of conflict in which they are.

b. Abstention: directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in conflict of interest. With regard to domanial directors, they shall abstain from taking part in the voting of those matters that might entail a conflict of interest between those shareholders that had proposed their appointment and the Company

c. Transparency: in the Corporate Governance Report, the Company must inform of any situation of conflict of interest in which a director is, that the Company is aware of by virtue of the information of same by the affected person, or by any other means.

In addition, the Board's Regulations regulate the following situations which can give rise to conflicts of interest:

• The rendering of professional services in competing companies (article 31).

• The use of corporate assets (**article 33**).

• The use of non-public company information for private ends (**article 34**).

• The taking advantage of business opportunities of the company (**article 35**).

Furthermore, **article 37** of the Board of Directors' Regulations, under the heading "Duties of information of the director", provides that the director must inform the company:

• of the shares in the same of which he is the direct or indirect holder, as well as of those other shares which are in the possession, directly or indirectly, of his closest relatives, all of which in accordance with the provisions of the Internal Regulations of Conduct Regarding Transactions in Securities;

• of any stake they might hold in the capital of any companies with the same, similar or complementary business range as the one that makes up the corporate purpose, and of the offices and posts they hold in same. They shall also inform of those business conducted for themselves or for somebody else, with the same, similar or complementary business range as the one that makes up the corporate purpose. Said information shall be included on the Annual Report, and

• of all the positions they hold and of the activities that they carry out in other companies or entities, and, in general, about any fact or situation that could be relevant for their acting as a director of the Company.

As is expressly provided under **article 1** of the Board of Directors´ Regulations, the rules of conduct established thereon for the directors shall apply, to the extent that they are compatible with their specific nature, to the senior management of the company who are not directors. More particularly and with the due nuances, the following articles shall apply to them: **article 30** (Duty of confidentiality); **32** (conflicts of interest), in connection with the duty of informing the Company; **33** (use of corporate assets); **34** (non-public information); **35** (business opportunities), and **36** (prohibition to make undue influence of the office).

Likewise, as regards significant shareholders, **article 38** of the above referred Regulations provides as follows, under the heading "Transactions with directors and significant shareholders":

1. The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a significant shareholder.

2. In no event will it approve such a transaction if previously a report has not been issued by the Nomination and Remuneration Committee evaluating the transaction from the standpoint of market conditions. In the event of transactions with significant shareholders, the Committee shall examine it also from the standpoint of an equal treatment for all shareholders.

3. In the case of transactions within the ordinary course of company business and being of a habitual or recurrent nature, a general authorization of the line of transactions and their conditions of execution will be sufficient.

4. The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the annual corporate governance report, within the scope of the Law. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.

In addition, the Internal Regulations of Conduct, in **article 5** and after stating in the first paragraph that the general principles that must govern the actions of the persons subjected to conflicts of interest are those of independence, abstention and confidentiality, lay down the following:

Article 5.2. Declaration of conflict

The Affected Persons shall undertake in writing to act independently in their activities and to make known to the CCO (Code Compliance Office) using the standard model that is established for this purpose, those conflicts of interest to which they are subject due to their activities outside the Inditex group, their family relationships, their personal property, or for any other cause with:

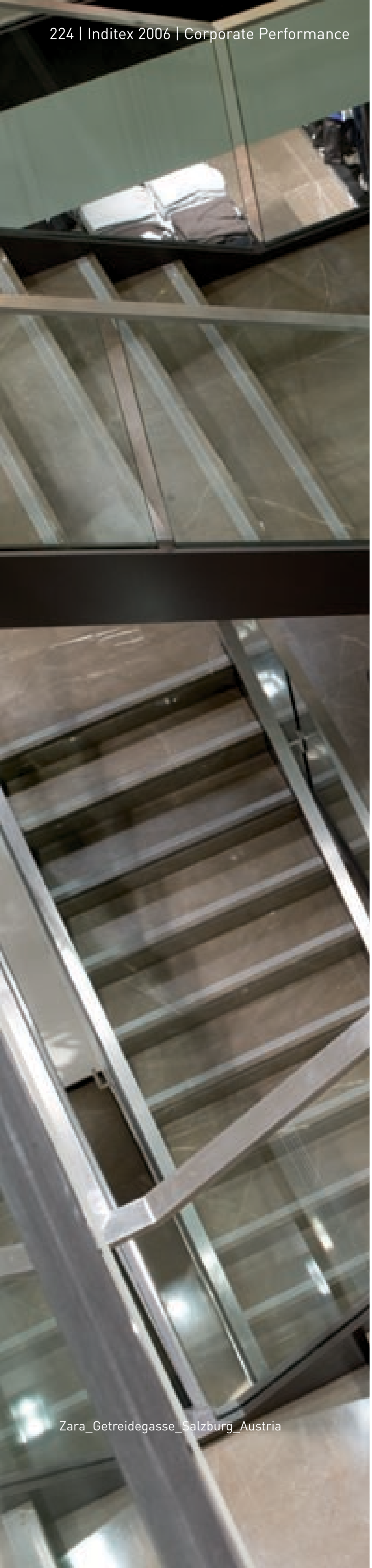
• Suppliers, external workshops not being part of the company and significant contractors for goods or services, or their Directors and general proxies.

• Agents and franchisees of the Inditex group, or their Directors and general proxies.

• People who are engaged in similar or analogous activities to those of the Inditex group and that compete with the Inditex group in the same markets.

• External advisors and suppliers of professional services to the Inditex group.

Among the powers granted to the Nomination and Remuneration Committee is that of reporting on the transactions that involve or could involve conflicts of interest, transactions with related parties or that involve the use of company assets and, in general, on the matters contemplated in chapter IX of the Board of Directors' Regulations (in which all the foregoing articles of the Board of Directors´ Regulations are included). In view of that report, it is incumbent on the Board of Directors to approve, where appropriate, the transaction.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2.D Systems for control of risks

D.1 Risk policy of the company and/or of its group, and risks covered by the system; justification for the adjusting of those systems to fit the profile of each type of risk

Risks management in the Inditex Group is based upon the following principles:

• This tool is the responsibility of the Board of Directors and the Senior Management, which aims to provide a reasonable safety in the achievement of the targets established by the Group.

• It is the responsibility of each and every member of the Organisation, and

• It represents an integrated system which directs the control activities towards preventing the relevant risks, providing an appropriate level of guarantees to shareholders, other stakeholders and the market in general.

In this context, the risks management in the Group starts with the identification and assessment of those factors that may affect negatively the fulfilment of the business objectives and involves adopting certain answer to face up to these factors and implementation of the necessary control measures so that this answer be effective.

The identification and assessment translates into a risks map including the main risks, both strategic and operational, grouped in different categories, together with an assessment thereof in accordance with their potential impact, the likeliness of their occurring and the level of preparation of the Group to face up to them. The risk map is subject to review every two years in order to keep it updated by including the amendments regarding the evolution of the Group. The different corporate areas and business lines taka part in the identification of the main risks included in the map, as well as in the evaluation thereof.

The process of risks management is subject to the review of the Board of Directors, through the Audit and Control Committee.

Risks reviewed are classified and grouped in the following categories:

		Strategic	Operational
EXTERNAL	Business environment	•	
	Regulations		•
	Image and reputation	•	•
INTERNAL	Human resources	•	•
	Operations	•	•
	Financial		•
	Information for the decision making		•
	Technology and information systems	•	
	Governance and management	•	

Business environment

Those risks stemming from external factors, connected with the activity of the Group.

Regulations

Those risks regarding the enforcement of the various laws and regulations to which the Group is exposed in the different countries where it is present

Image and reputation

Those risks which have a direct influence on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the Society in general.

Human Resources

Those arising out of the consequences of a lack of motivation and loyalty in the personnel, of an inappropriate sizing or qualifications, or of an excessive turnover thereof, as well as of the potential difficulties regarding staff recruitment and dependence on key personnel.

Operations

This category includes those risks more directly linked with the basic activities of the business, from the conception of design to the sale of the finished product in the store, including procurement management, quality control and the manufacture processes. Those risks regarding the real estate management and logistics planning are also included.

Financial

Those risks regarding the management and administration of the money assets and among them are the ones arising out of the exchange fluctuations. Credit and interest rates risks are also included.

Information for the decision making

The risks in connection with the appropriate information at all levels: transactional and operative, financing-accounting, management, budgeting and control.

Technology and information systems

These are the risks linked to the technical infrastructure and the efficient management of information and of the computing and robotic networks in general. The risks connected with the physical and logical safety of the systems are also included.

Governance and management

These are the risks affecting the good corporate governance of the Company.

D.2 Control systems established to evaluate, mitigate or reduce the main risks to the company and its group

Below is a detailed description of the most relevant risks, given their impact, of each of the above described categories, specifying the assessment and control systems established to mitigate their potential impact:

A. External Risks

1. Business environment

Within this category the risk regarding the difficulty of the organization to adapt to the environment or market where it operates, is included. This is inherent in the fashion retail business and consists in the eventual incapacity of the Group to follow and offer a response to the evolutions of its target market (demographic changes, changes in the consumption habit, lack of response regarding new business opportunities, etc.,)

In order to reduce the exposure to risk in this area, the Group carries out a viability research of each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the expected figures are met or not. Moreover, the business model of Inditex is not only based upon the management of new openings, but also on improvements in the efficiency and effectiveness of the existing markets, business lines and stores, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the current business.

Along those lines, the internationalization policy and the multi-brand format of the Group mean that risk is diversified, reducing the joint exposure to this market risk.

2. Regulations

In order to provide a better management of the risks included in this category, they have been classified in accordance with their nature, in: risks regarding the commercial, tax, custom, labour regulations and others.

In order to reduce the exposure to risk in this area and secure the appropriate enforcement of the prevailing local legislation in force, the corporate Legal, Tax and Labour departments work in coordination with the various people responsible of each country or geographic zone and with the legal external advisors in same. In Section D.5 hereunder, the legislation that usually affects the Group in those countries where it operates, is identified.

Additionally, the Corporate Social Responsibility Department periodically carries out social audits together with teams of independent professionals, with a great command of the language as well as of the local labour and environmental legislation, to ensure the appropriate respect for both the labour requirements covered by the International Labour Organisation (ILO) Treaties and for the Human Rights covered in the major Treaties that govern this subject.

3. Image and reputation

The main risks included in this category arise out of the likelihood of an improper management of the aspects regarding the CSR and the sustainability, as well as of the corporate image of the Group.

The Group has developed a Social Audit Program, based on the external and independent verification of the degree of implementation and compliance with the Code of Conduct for External Workshops and Manufacturers in order to minimize the potential risks of harming the image due to incorrect behaviours by third parties. Said program specifies the review procedures which secure getting information and evidences on the minimum working conditions that all external manufacturers and workshops must comply with.

In such sizable and visible organisations as that of the Group, some conflicts could arise out of an inappropriate relationship with third parties alien to the operative of the Group (CNVM, communication media, Investors, Governments...).

With the aim to mitigate this risk, the Group has a Division of Communication and Institutional Relations, responsible for the centralized management of the communications with third parties. Likewise, given their relevance, the General Counsel´ s Office and the Capital Markets Department are charged with managing specifically the relationship with the CNMV and the latter is also charged with dealing with the investors.

Meanwhile, the experience gained by the Group due to the large international career of the company allows to mitigate the risk associated to the difficulty of adapting its products and transactions to the social and cultural diversity, the different habits and features of specific markets, by setting up the appropriate policies which allow to identify and, where appropriate, to implement the required actions.

B. Internal Risks.

4. Human Resources

The main risks in the Human Resources area are those arising out of the likelihood of an inappropriate size, qualifications and flexibility of the human resources, of an inappropriate labour environment and of a potential dependence on key personnel. This section also includes the risks connected with the recruitment and turnover of the personnel.

To minimize these risks, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel, it has developed a periodical training program for its staff and has implemented specific systems:

- to combine quality in the performance of their duties by the employees and the satisfaction they may obtain at their workplace;

- to facilitate the exchange of jobs among those employees wishing to broad their experience in the different areas of the Organisation

On the other hand, the work system carried out by the Organisation favours the transfer of information among the people involved in the different areas, so that the risk arising out the concentration of information on key personnel be lower. Additionally, the use of professional development, training and compensation policies seeks to retain said key employees.

To ensure an appropriate working environment the Human Resources Department works on the basis of a series of acting principles which are explained in greater detail in the Report on Social and Environmental Performance.

5. Transactions

One of the main risks is that of not getting the design of the collections right, it being understood as the likely difficulty of the Group to recognize and assimilate the ongoing changes in the fashion trends as well as to design, manufacture, supply and sell new models in tune with customers´ expectations.

The Group reduces the exposure to these risks through a manufacturing and procurement system that ensures a reasonable flexibility to answer to the unforeseen changes in the demand by our customers. Stores are permanently in touch with the designers team, through the Product Management Department, and this allows to perceive the changes of taste of the customers and the vertical integration of the transactions allows to cut the manufacturing and delivery terms as well as to reduce the stock volume, while the reaction capacity that allows to introduce new products throughout the season, is kept.

The risk arising out of the interruption of the transaction is linked with the likely occurrence of extraordinary events which escape the control of the Group (catastrophes, fires, strikes of key employees of suppliers, etc.,) that might affect significantly the normal operative.

Given the operative of the Group, the main risks included in this category are to be found at the logistics centres. The distribution of the finished product is centralized on an independent basis, through logistics centres located in each of the commercial concepts, except for the Zara format which currently has four main hubs located in Arteixo (A Coruña), Zaragoza, Madrid and León, thus facilitating the contingency plans in case of potential accidents or stoppage of the distribution activities.

Additionally, the Group takes active measures to reduce exposure to this type or risks, keeping high protection levels in all its distribution centres, together with the insurance policies that cover both damages incurred by the stock and loss of profit in the event of a loss.

In order to ensure the growth of the Group and foster the flexibility of the business model, the Plan of Logistics Expansion envisages carrying out investments in new hubs, or the enlargement of the existing ones, which enable to mitigate the risk associated to the planning and sizing of logistics. At present, the new hubs in Madrid and León are operative, as well as an additional centre in Tordera. Additionally, relevant investments have been conducted for improvements and automation in the existing centres to increase their capacity and efficiency.

To mitigate the risks associated to the quality of the finished product, the Group has several control systems based upon some defined standards which are implemented in the production line, both for goods manufactured by the Group itself and those made by external manufacturers.

To reduce exposure to the risk arising out of the inappropriate service and satisfaction of the customer the Group implements standardised “service at stores” procedures, training and monitoring programs for the store managers and telephone communication channels with the customers in order to ensure the quality of the sales and post-sales service.

The Group reduces the risk linked to the real estate management through the monitoring of every local market where it operates by means of specialized teams. Meanwhile, the assessment of the new openings is supervised by a committee comprised, among others, by members of the Expansion Division.

6. Financial

The activities of the Group are subject to various financial risks. Included in this category are risks regarding the management of exchange rates, cash management and others, such as credit or interest rates risks.

To control the exchange rate risk arising out of future commercial transactions, assets and liabilities acknowledged in a currency other than the one used by the Company, the entities of the Group use forward exchange agreements. The Group manages the net position in each currency by using external forward contracts in currency or such other financial instruments. In addition, the Group follows the policy of keeping coverage of the estimated transactions, especially imports and exports of goods, for each season.

The Group keeps several investments in businesses abroad, whose net assets are subject to the foreign exchange risk. The foreign exchange risk over the net assets of transactions abroad is managed pursuant to the guidelines and policies defined by the Management of the Group.

The Group does not suffer significant concentration of credit risk, given it has hedging measures to cover sales to franchises, being retail sales most of its turnover, and being payment mostly made in cash or through credit cards.

The Group has not been significantly subject to cash management and exchange rate risks since it has enough cash and cash equivalents to face up to the required outgoings in its usual transactions. As for the necessary funding in specific cases, both in euros and in other currencies, the Group makes use of credit, loan agreements or any other financial instrument.

Although in relative terms none of those risks are critical for the Organisation, all of them are systematically managed by the Financial Department.

7. Information for decision making

This category includes the risks regarding inappropriate transactional, operative, financial and accounting information as well as that for budgeting, which have a direct impact on the efficiency of transactions.

These are not significant risks in relative terms, although the departments of the Group and especially the Management Control Department are directly responsible for producing and supervising the quality of said information.

Meanwhile in order to reduce exposure to this kind of risks, the Group regularly reviews the management information disclosed to the relevant officials and invests in IT, follow-up and budgeting systems, among others.

Additionally, the consolidated Annual Accounts and those of every relevant company are subject to verification by external auditors, who also carry out limited scope reviews on certain periodic financial information of the Group. Likewise, for most significant companies, the external auditors are requested to carry out recommendations on internal control.

8. Technology and information systems

The reliability and security of the IT systems, including both computing and robotic systems is basic for the activities of the Group to operate suitably.

To reduce exposure to this type of risks, the Systems Department permanently monitors the streamlining and coherence of the systems, directed at minimizing the number of software packages, maximising training of all users involved in handling these and guaranteeing the security and stability required for the continuous development of the activities of the Group.

Moreover, there are contingency systems in the event of computer stoppage, with double equipment and data storage in a different location to the main Centre, which would reduce the consequences of a breakdown or stoppage to a margin of just a few hours.

9. Governance and management

This category includes the risk of not having the appropriate management of the Group which might mean the non observance of Corporate Governance and transparency standards.

At the present time, transparency and good governance obligations for listed companies are duly governed by the recommendations of several institutions and by a specific legal framework (Financial Act, Transparency Act, Order ECO/3722/2003 and Circular 1/2004 of CNMV.) Lack of information or wrong information on sensitive issues, such as transactions with related parties or the remuneration of officials would harm the good image or the reputation of the Group, being therefore those issues subject to the control of the Audit and Control Committee and of the Nomination and Remuneration Committee, exclusively comprised of independent directors.

There are also Internal Regulations of Conduct regarding Transactions in Securities and a body designated as the Code Compliance Supervisory Board which, according to article 10.2.2 of said Regulations, is charged with observing and enforcing the rules of conduct of the Securities Markets and the rules of the IRC itself (Internal Regulations of Conduct), its procedures and further additional regulations, whether present or future.

D.3 Circumstances that motivated the materialisation of risks and operative of the established control system

The risks described in the previous section are inherent in the business model and the activity of the Group and therefore some of them are likely to materialize to some degree throughout each financial year.

However, none of the risks having materialized, arising out of the ordinary course of business of the Group, has had any significant impact within the Organisation during the last fiscal year, having the control systems been run properly.

D.4 Description and function of the committee in charge of establishing and supervising these mechanisms of control

The main governing bodies responsible for controlling risks are the Board of Directors, the Audit and Control Committee and the Management Committee.

1. The Board of Directors

The Board of Directors is responsible for identifying the main risks of the group and for organising the appropriate internal control and information systems.

2. The Audit and Control Committee

Meanwhile, the Audit and Control Committee assists the Board of Directors in its supervision and control duties by reviewing the internal control systems. The duties of the Audit and Control Committee are provided under the Articles of Association and the Board of Directors´ Regulations.

The Board of Directors´ Regulations provide that it is incumbent on the Audit and Control Committee, exclusively comprised of independent Directors of the Group, to supervise the duties of the Internal Audit department of the Company and its Group, approving the budget of the Department and the internal audit plan and supervising the material and human resources thereof, whether internal or external.

The Internal Audit Department is directly linked to the Board of Directors, to which it reports, through the Audit and Control Committee, thus ensuring the full independence of its acts.

In accordance with the Internal Audit Charter of the Group, the mission of the Internal Audit function is that of contributing to the good running of the Group, by assuring an independent supervision of the internal control system, and by providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hinder the accomplishment of the objectives of the Organization.

Likewise, according to the Charter, the goals of the Internal Audit function are to promote the existence of appropriate internal control and risk management systems, the homogeneous and efficient application of internal control system policies and procedures which make up such internal control system and to serve as communication channel between the Organization and the Audit and Control Committee, in relation to those matters that are responsibility of Internal Audit.

3. The Management Committee

The Management Committee is charged with the coordination of the business and corporate areas, and takes active part in identifying, assessing, defining and implementing hedging policies, establishing specific measures to help mitigate the impact of risks in the achievement of the goals of the Group.

D.5 Processes of compliance with the various regulations that affect the company and/or its group

Within the external risks that affect the Group, a specific category styled as "Regulation" has been included, which has been described under section D.2 above.

Within this category, it has been thought fit to classify the risks in four groups, depending on the kind of regulation to which they refer and on the potential impact they have on the Group. This classification shall be used to detail the legislation that affects the Group in its operative.

- Consumer and trade legislation which regulates licences for store opening, business hours, sales periods and all that related to retail distribution, as well as those issues regarding the conditions that must be met by the products being sold in stores, especially in relation to the labels and packaging, and generally, all aspects that affect retail sales.

- Tax legislation, relating to the taxes that are charged on the group´s activities and profits.

- Customs legislation, referring to cross-borders movements of merchandise.

- Labour legislation, which regulates the relations with its workers as regards salaries, working hours, labour calendar, health and safety, etc.,

- Other legislations, including common legislations for any listed company and specific legislation relating to the activity performed by the Group:

  - Accounting legislation, relating to the accounting principles and standards.

  - Securities market legislation, which affects all listed companies.

  - Intellectual and industrial property legislation, relating to rights over designs and trade marks.

  - General civil and mercantile legislation, relating to company law and civil and commercial contracts.

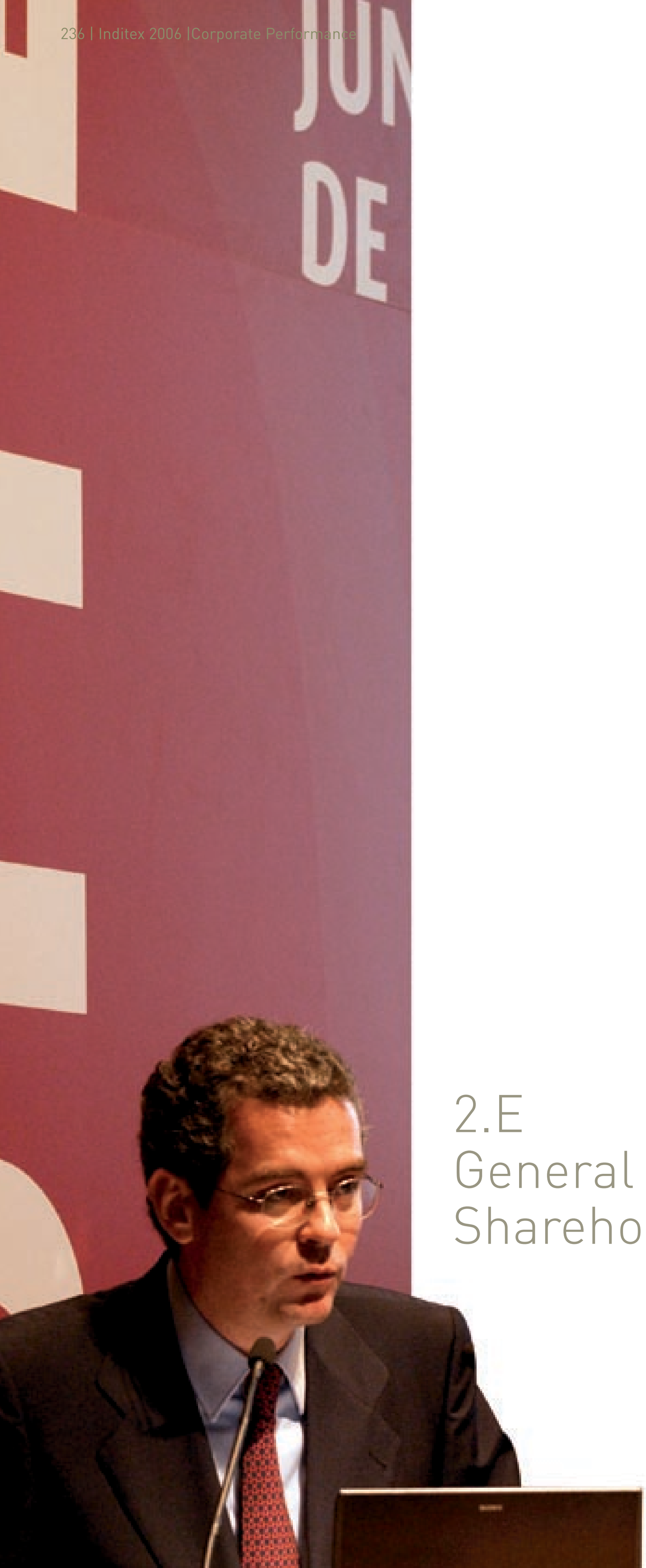
  - Competition law, which specifically affects the relations with other competitors in the market.

  - Real Estate legislation which fundamentally affects the leases of business premises where the stores of the Group are located.

  - Legislation governing the personal data protection, regarding the custody of personal information that is confidential.

  - Environmental legislation, regarding the proper treatment of waste, spillage, etc.,

In order to reduce exposure to the risk of non-compliance with the different legislations to which the group is subject, the corporate Legal, Tax and Labour Departments carry out the task of coordination with the various members of management of each geographical area and external legal advisors of each country.



2.E
General Meeting of Shareholders

The General Meeting of Shareholders duly convened and constituted in accordance with all legal formalities and those of the Articles of Association and its own Regulations, is the supreme and sovereign body of expression of the will of the company. Its resolutions are binding on all its shareholders, including those absent or dissenting shareholders, without prejudice to any remedies they may have at law.

In accordance with the provisions of the Regulations of the General Meeting of Shareholders, this body is empowered to pass all manner of resolutions regarding the company, and the following powers, in particular, are reserved for it:

a) To decide on the individual annual accounts of the company and, if appropriate, on the consolidated accounts of the company and its group, as well as on the distribution of the profit.

b) To appoint and dismiss the directors, as well as to confirm or revoke those provisional appointments of directors executed by the Board, and to review the company's management.

c) To appoint and dismiss the auditors of the accounts.

d) To adopt resolutions on the issuance of bonds, the increase or reduction of capital, the reorganization, merger, split-off or dissolution of the company, the global assignment of assets and liabilities and, in general, any amendment to the company's Articles of Association.

e) To authorize the Board of Directors to increase the company's capital, proceed to the issuance of bonds and other fixed yield securities.

f) To approve the adoption of remuneration systems consisting of the granting of either shares or rights over shares, as well as of any other remuneration system linked to the value of the shares, regardless of who is the beneficiary of such remuneration systems.

g) To approve the Regulations of the General Meeting of Shareholders and their subsequent amendments.

h) To decide on the matters submitted to it by the Board of Directors.

i) To empower the Board of Directors with the powers it deems suitable for unexpected situations.

The Board of Directors shall convene the Ordinary General Meeting necessarily once a year, within the first six months of the closing of each financial year in order to, at least, review the company's management, to approve, where appropriate, the accounts of the previous year and to decide upon the distribution of income or loss.

The Extraordinary General Meeting shall meet when the Board of Directors so resolves or when a number of shareholders which represent at least five percent of the share capital so request, expressing in the request the matters to be discussed. In this latter case, the General Meeting of

Shareholders must be convened to meet within the thirty days following the date in which the Board of Directors was required by means of a notary to convene the Meeting. The agenda of the meeting will necessarily include the matters that were the subject of the request.

In the resolutions to call the General Meeting, the Board of Directors shall require the presence of a Public Notary to take the minutes of the General Meeting.

Both the Ordinary and the Extraordinary General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Mercantile Registry and in one of the newspapers with the highest circulation in the province where the company has its registered office, and at least one month in advance of the day appointed for the meeting or the greatest period that is required by law, where appropriate, due to the resolutions submitted for deliberation. The notice must state the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call, and there must be at least a 24-hour period between one call and the other. The notice shall likewise state, clearly and precisely, all the matters to be discussed therein.

No later than the date of publication, or in any event the business day that immediately follows, the notice of the meeting shall be sent by the company to the CNMV, and to the Governing Organisations of the Securities Markets where the company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be accessible through the company's web page.

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and validly held to discuss any matter, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

E.1 Quorum required for the holding of the General Meeting established in the Articles of Association. Differences with the minimum requirements foreseen in the Spanish Corporation Act (SCA)

Both **article 21.1** of the Articles of Association and **Article 15** of the Regulations of the General Meeting provide that the General Meeting will be validly held on first call where shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote. At second call, generally, the General Meeting shall be validly held regardless of the capital attending the same. However, if the Meeting is called to decide on an increase or a reduction in the share capital, the issue of debentures, the transformation of the company, the merger for the creation of a new company or via the taking-over of the company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the substitution of the company purpose as well as any other modification whatsoever of the Articles of Association, shall require, at second call, the attendance of twenty-five percent of the subscribed share capital with the right to vote.

Therefore, the only difference between said rules and the provisions of the SCA, both in general (Art. 102) and for special cases (Art. 103), consists of the quorum necessary for the holding of the General Meeting at first call in accordance with Art. 102 of the SCA, that the Articles of Association and the Regulations of the General Meeting of the company have made equal to the quorum for valid meetings on first call in accordance with article 103 of the SCA (shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote).

This is expressly permitted by article 102 of the SCA itself, where, after laying down that the General Meeting of Shareholders shall be validly held on first call when the shareholders present or represented by proxy possess, at least, twenty-five per cent of the subscribed voting share capital, it goes on to provide that the articles of association can establish a higher quorum.

E.2 System for the passing of the resolutions of the company and differences with the system provided in the SCA

Once the question and answer session of the shareholders has ended and answers have been given according to the provisions of the Regulations of the General Meeting, the proposals regarding the items on the agenda or the proposals put forward by shareholders that are not legally required to be on the agenda shall be voted on.

If there were proposals regarding matters not included in the agenda and the Meeting can resolve on them, the Chairman shall decide the order in which they shall be put to vote. Otherwise, the voting of the proposals shall follow the agenda established to this effect.

It shall not be necessary for the Secretary to read in advance the unabridged version of the proposals of resolution, the text of which will have been given to the shareholders at the beginning of the meeting. In any case, the Secretary shall indicate to the members in attendance those proposals to be voted on at each time, and shall summarize the essential contents of those resolutions which have not been completely read out in accordance with that provided above. Whenever proposals concerning resolutions referring to the items on the agenda are submitted that are alternative to those presented by the Board of Directors, the proposal made by the Board shall be voted in first place and then, if appropriate, those proposed by other speakers in chronological order, in accordance with the time at which they were put forward.

Whenever the Meeting passes a proposed resolution, the remaining incompatible proposals relating to the same item on the agenda shall not be put to vote.

As a general rule, and without prejudice to the possibility, at the Chairman's discretion, of using other alternative systems when the circumstances so require, for the purposes of the voting on the proposed resolutions, the voting by the shareholders shall be determined in accordance with the following procedure:

• When the voting is on proposed resolutions relating to items on the agenda, votes in favour shall be considered to be those of the shares present and represented, deducting those votes corresponding to (a) the shares whose holders or proxy holders show that they vote against, in blank or abstain through the communication or expression of their vote or abstention to the Notary, for them to be recorded; (b) those shares whose holders have voted against, in blank or had expressly stated their abstention through any of the means referred to in the following article, and (c) those shares whose holders or proxies had left the meeting prior to the voting of the proposed resolution in question, and had recorded their leave with the Notary, in the form provided in **article 18.5** of these Regulations.

• When the voting is on proposals of resolutions on matters not included in the agenda, votes against shall be considered to be those corresponding to all the shares present in person or by proxy, deducting the votes corresponding to (a) shares whose holders or proxy holders state that they vote in favour, in blank or that they abstain, through the communication or expression of their vote or abstention to the Notary, for them to be recorded; (b) those shares whose holders have voted against, in blank or had expressly stated their abstention through any of the means referred to in the following article, and (c) those shares whose holders or proxies had left the meeting prior to the voting of the proposed resolution in question, and had recorded their leave with the Notary, in the form provided in **article 18.5** of these Regulations.

The resolutions shall be adopted by a majority of votes of the shares present or represented at the General Meeting, except in the event of legal provisions or provisions of the Articles of Association stating the contrary. Votes shall be by roll-call or by ballot, as provided by the General Meeting. In the event of a tie, the proposal shall be deemed to be rejected.

Shareholders with a right to attend and vote may vote on the proposals concerning items of the agenda by post, or by any other remote through any other electronic means communication means, whenever the Board of Directors so decides, expressly stating this possibility in the notice calling the General Meeting in question. Once the voting of each proposal is completed, the Chairman shall proclaim the result of the voting stating whether the resolution has been passed or rejected. whenever the Board of Directors, bearing in mind the state of the art and the available means, so decides pursuant to the provisions of the General Meeting of Shareholders´ Regulations, after considering that there are enough guarantees to secure the identification of shareholders who exercise their right to vote, and the certainty and authenticity of the will expressed.

Votes by post shall be effected by sending to the Company a form containing said vote and enclosing the attendance card issued by the entity or entities entrusted with keeping the book-entry registry, duly signed by hand.

Votes effected by electronic communication shall have a recognized electronic signature or such other guarantees that as the Company deems ideal to ensure the authenticity and the identity of the shareholder shareholders who exercises his their right to vote.

Votes effected by post or by electronic communication shall be received in the Company before the twenty-four (24) hours of the second working day (Saturdays excluded) immediately prior to the day set for the General Meeting. Otherwise, vote shall be deemed as not cast.Votes cast in accordance with such provisions shall be deemed valid, except in the event of acts of God or force majeure preventing their reception or correct identification.

The Board of Directors is entitled to develop the foregoing provisions by setting the rules, means and procedures suitable for the state of the art in order to implement the casting of votes and the granting of proxy through electronic means, by enforcing where appropriate the rules for this purpose enacted.

Namely, the Board of Directors may (i) rule the use of alternative guarantees to the electronic signature regarding the casting of electronic vote pursuant to the provisions of 4 above, (ii) reduce the time limit established under 5 above for the Company to receive votes cast by post or by e-mail, and (iii) establish other means of remote communication or otherwise suitable for the state of the art to implement the casting of votes, provided that the identity of the individual exercising his right to vote is properly guaranteed.

In any case, the Board of Directors shall pass the necessary resolutions to avoid potential duplicities and ensure that those shareholders who have cast their vote through remote communication systems or granted proxy by postal or electronic mail are duly entitled to do so pursuant to the provisions of the Articles of Association and of these Regulations of the General Meeting. The development regulations that the Board of Directors may adopt pursuant to the provisions of this paragraph shall be published on the Company´s Web page.

Shareholders with a right to attend and vote that effect their votes through remote communication systems pursuant to the provisions of this article shall be deemed as present for the purposes of the quorum of the General Meeting in question. Consequently, prior proxies shall be deemed revoked and subsequent proxies shall be deemed as not produced.

Attendance in person of the shareholder to the General Meeting shall entail the revocation of the vote effected by post or by e-mail. Votes effected by post or by e-mail shall also be deemed as revoked in the event of a subsequent vote different to that previously cast.

At present time, further to the suppression by the General Meeting of Shareholders of the company, held on 18 July 2003, of the requirement of a qualified majority (two-thirds of the share capital present in person or by proxy at the General Meeting) for the passing of certain resolutions,

the system of majorities for the passing of resolutions does not differ from the provisions of article 93.1 of the SCA.

E.3 Rights of the shareholders in relation to General Meetings different from those established in the SCA

Within the rights for the shareholders recognised by article 48 of the SCA, the following can be listed in relation to the General Meetings: the right to attend and to vote in the general meetings and to challenge the resolutions of the company, and the right of information.

These rights are developed in articles 104 ("Right to attend the meeting"), 105 ("Limitations on the right to attend and vote"), 106 ("Proxies"), 108 ("Representation by a relative"), 112 ("Right to information") and 115 and following (relating to the challenging of resolutions) of the SCA.

The rights of the shareholders of Inditex in relation to the general meetings are scrupulously respected by the company, in the terms established in the legislation in force, in the Articles of Association and the Regulations of the General Meeting of Shareholders.

1. Right to information of the shareholders

The Investor Relations Department and the Shareholders' Office at Inditex are at the disposal of the shareholders to provide all the information on the General Meeting that they may need. Prior to the General Meeting, those shareholders who so request are sent a copy of the annual report and the relevant documentation relating to the items on the agenda.

Moreover, the company deals, as far as is possible, with the requests for information that are made by the shareholders in relation to the items on the agenda of the General Meeting, both before the General Meeting and during the meeting itself through the question and answer session, which all shareholders attending the meeting can participate in if they wish and whose participation is always answered.

Section E.4 hereof deals with the regulation of the right of information of shareholders covered by the Regulations of the General Meeting.

2. Attendance of General Meetings. Right to Vote

The right to attend is dealt with in section E.9.

Each share entitles its holder to one vote.

3. Proxies at the General Meeting

Section E.10 deals with the issue of proxies at the General Meeting.

E.4 Measures adopted to promote the participation of the shareholders in the General Meetings

In addition to the publication of the notices provided by Law and in the Articles of Association and of the making available to the shareholders in the registered office of the company, free of charge, of the information and the documentation related to the agenda of the meeting, the company publishes the notice of the General Meetings through the corporate web page, including all the relevant documentation to facilitate the attendance and the participation of the shareholders, including the agenda, the directors' reports and the remaining documentation in relation to the General Meeting that is required by Law.

Furthermore, the Regulations of the General Meeting of Shareholders, establishes new instruments directed at favouring the participation of the shareholders, in particular, through developing their rights of information, attendance and proxy.

In this respect, **articles 9 and 10** of the Regulations of the General Meeting establish the following:

Article 9. Information available as from the notice of the Meeting

As from the publication of the notice of the meeting, the company shall make the following information available to the shareholders:

(a) The documents (such as, among others, the annual accounts, proposals for the distribution of the profit, management reports, auditing reports, directors' reports, proposals for resolutions, literal text of amendments to the Articles of Association, auditors and/or independent experts' reports, merger or split-off plans) which by law must compulsorily be provided in relation to the various items included on the agenda.

(b) The complete text of the proposed resolutions that the Board of Directors is submitting to the deliberation and approval of the General Meeting in relation to the different items on the agenda. As an exception, the Board of Directors may omit the publication of those proposals not required by the Law or the Articles of Association to be put at the shareholders' disposal as from the date of the calling of the General Meeting, whenever there are justified reasons that make previous publication not advisable.

(c) Practical data related to the General Meeting and the way in which the shareholders exercise their voting rights, such as, amongst others:

i. The communication channels existing between the Company and the shareholders, and namely those explanations necessary for shareholders to exercise their right to information, stating the postal addresses and e-mail addresses where they can address their queries.

ii. The ways and procedures to grant proxy for the General Meeting.

iii. The ways and procedures to cast votes through remote communication systems, including where appropriate, the forms to justify the attendance and the exercise of the vote through remote means in the General Meeting.

iv. Information on the location of the place where the Meeting is to be held and the way to access same

v. Information, where appropriate, on the systems or procedures that may facilitate the monitoring of the Meeting, such as simultaneous translation devices, videoconferences , information available in foreign languages, etc.

(d) Any other information deemed appropriate to facilitate the attendance and participation of the shareholders at the General Meeting.

The shareholders shall be able to get, freely and immediately, the documents and data referred to in the previous paragraphs at the registered office, as well as to request the free delivery or dispatch of such documents and data, in accordance with the provisions of the Law. Furthermore, such documents and data shall be incorporated into the company's web page.

Article10. Right to information prior to the holding of the General Meeting

From the very day the notice of the General Meeting is published, and until the seventh day, included, prior to the day set for the Meeting, every shareholder may request in writing to the Board of Directors the information or clarification they may deem necessary or ask the questions they might think fit, regarding the items on the agenda. Moreover, in the same term and manner, shareholders may request information or clarifications or ask questions in writing concerning the information accessible to the public that the Company had already furnished to the CNMV since the last General Meeting was held. Likewise, the shareholders may ask for any other information they may need about the General Meeting through the company's web page or through the shareholder service telephone line placed at the shareholders' disposal for such purpose, the number of which shall be given in a timely manner.

The Board of Directors is obliged to provide shareholders with the requested information or clarification, except whenever (i) the Chairman considers the publication of the data requested may have an adverse effect on the corporate interests (although this exemption cannot be alleged if the request is supported by shareholders representing at least twenty-five (25) per cent of the share capital), (ii) the information or clarification requested does not refer to the items on the agenda or to information accessible to the public that the Company has furnished to the CNMV since the last General Meeting was held; (iii) the information or clarification requested is not reasonably necessary in order to form an opinion on those matters raised before the Meeting or, for whatever reason, it is considered abusive; or (iv) the legal provisions or regulations so provide.

The shareholders' requests for information shall be answered by the full Board of Directors itself, by any of its members, its Secretary, even if he is not a member of the Board, or by any other person expressly empowered by the Board of Directors for such purpose.

In the terms provided for by law, the requests for information shall be answered in writing and prior to the General Meeting, unless the characteristics of the required information make it unsuitable. Those requests for information that cannot be answered prior to said Meeting due to the proximity to the date of the Meeting, or those that are submitted during the same, shall be answered during the General Meeting, in accordance with the provisions of these Regulations or, where appropriate, in the shortest period of time as of the date on which the Meeting was held, always within the maximum term provided by the Law for this purpose.

Those answers given to significant questions that are provided to the shareholders prior to the date of the meeting, shall be made available to all the shareholders attending the meeting at the beginning of the same, and shall also be put on the company's web page.

The right to information is supplemented by those of attendance and proxy, which are dealt with in sections E.9 and E.10 below. Both rights have been extended as a result of the amendments introduced to the Articles of Association and to the Regulations of the General Meeting in July 2004.

E.5 Chairmanship of the General Meeting and measures adopted to ensure the independence and good running of the General Meeting

Article 16 of the Regulations of the General Meeting of Shareholders, transforming into rules **article 22** of the company's Articles of Association, provides that the General Meeting shall be chaired by the Chairman of the Board of Directors or, failing the Chairman, by the Deputy Chairman who replaces him in accordance with the Articles of Association, and failing the Chairman and Deputy Chairman, by the shareholder appointed by the General Meeting itself.

Once the board of the General Meeting has prepared the list of the attendees, expressing the nature or proxy of each one and the number of own shares or shares of the proxy-grantors attending the meeting, the Chairman shall declare the Meeting to be validly held; shall submit for its deliberation the business that has to be discussed according to the agenda or the previous agreement of the Universal Meetings; shall direct and order the debates signalling the turns for speaking and granting the floor to those shareholders who have made a written request to speak and then to those who have made a spoken request to speak, and may establish turns for speakers in favour and against the motion and may limit the number of those who may speak in favour or against or the time allowed for each speaker; shall declare the business to have been discussed sufficiently and shall order that the voting thereon proceed, proclaiming the result of the voting after such vote. All of these aspects, as well as others regarding the good working of the General Meeting, are developed in detail in the Regulations of the General Meeting of shareholders.

Lastly, and as a guarantee of the independence and good working of the General Meeting, mention must be made, on one hand, that the preparation of the list of those attending and the calculation of the quorum for the valid holding of the Meeting is entrusted to a company of repute in its sector of activity and which acts according to qualified professional practices; and, on the other hand, that the Board of Directors, in compliance with the provisions of **article 7.2** of the Regulations of the General Meeting of Shareholders, requires the presence of a Notary to take the minutes of the Meeting.

E.6 Modifications introduced during the year in the regulations of the General Meeting

The General Meeting of Shareholders´ Regulations have been amended further to a resolution passed by the AGM in the session held on 18 July 2006 in order to adjust the contents thereof to the amendments introduced by the First Final Provision of Act 19/2005, of 14 November, on the European Public Limited company with corporate seat in Spain to the Revised Text of the Spanish Corporations Act, in the matter of calling the Annual General Meeting of Shareholders

To be specific, the term when the notice of the Annual General Meeting must be made public has been extended to one month in advance of the date set to hold such meeting, and shareholders holding at least 5% in the share capital have been granted the right to request a supplement to the notice, including one or more items on the agenda.

Likewise, the relevant article of the Articles of Association was amended accordingly.

E.7 Attendance figures for the general meetings held during the year to which this report refers

Attendance data				
Date General Meeting	% attendance in person	% attendance by proxy	% distance voting	Total
18-07-2006	0.02%	78.18%	0 [1]	78.20%

[1] Shareholder cast remote vote by electronic means.

E.8 Resolutions passed in the General Meetings held in the year to which this report refers and percentage of votes with which each resolution was passed

The General Meeting of Shareholders of Inditex, in its meeting held on 18 July 2006 and in accordance with the items on the agenda, passed the following resolutions, which are summarised below:

First: Study and approval, where appropriate, of the Annual Accounts and the Management Report of Industria de Diseño Textil, S.A. (Inditex, S.A.) for fiscal year 2005, ended 31 January 2006.

The Annual Accounts (Balance Sheet, Profit and Loss Account, and Annual Report) and the management report of Industria de Diseño Textil, S.A. (Inditex, S.A.) for fiscal 2005 (ended 31 January 2006), laid by the Board of Directors in its meeting held on 28 March 2006 and signed by all the directors, were approved.

This resolution was passed having been voted for by 99.55% of the voting quorum.

Second.- Study and approval, where appropriate, of the annual accounts (Balance Sheet, Profit and Loss Account, Shareholders´ Equity Statement, Cash Flow Statement, and Annual Report) and Management Report of the consolidated group (Inditex Group) for fiscal year 2005, ended 31 January 2006, and of the management of the company

The Annual Accounts (Balance Sheet, Profit and Loss Account, Shareholders´ Equity Statement, Cash Flow Statement and Annual Report) and the consolidated management report of the Inditex Group for fiscal 2005 (ended 31 January 2006), laid by the Board of Directors at its meeting held on 28 March 2006 and signed by all the directors were approved.

Likewise, the management of the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) for FY2005 was approved.

This resolution was passed having been voted for by 99.55% of the voting quorum.

Third.- Distribution of the income or loss of the fiscal year and distribution of dividends.

The proposed distribution of the income of fiscal 2005 (ended 31 January 2006), in accordance with the Balance Sheet previously approved, in the amount of five hundred and twenty million, six hundred and sixty nine thousand euros (520,669,000€), to be distributed as shown below:

THOUSANDS OF EUROS

To voluntary reserve 103,038

To dividends 417,631

TOTAL...520,669

It was resolved to pay the shares with the right to dividends the gross amount of fifty-two cents per share as ordinary dividend, and fifteen cents per share as bonus dividend, which adds up to sixty seven cents per share; the dividend shall be paid to shareholders as of 21 July 2006, through those entities linked to the Spanish Central Securities Depositary, in charge of the Register of Securities, and the Clearing and Settlement of all trades (Iberclear) (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A) where they have their shares deposited.

This resolution was passed having been voted for by 99.99% of the voting quorum.

Fourth.- Re-election of Director.

The re-election of Ms. Irene Ruth Miller, whose particulars are already recorded with the Companies Register, as Ordinary Member of the Board of Directors was approved for the five-year term provided in the Articles of Association, as from the date of this Annual General Meeting.

This resolution was passed having been voted for by 99.98% of the voting quorum.

Fifth.- Re-election of Auditors.

To appoint the current Auditors of the company, KPMG Auditores, S.L., with registered address in Madrid, at 95, Paseo de la Castellana, and holder of the Spanish Tax Identification Number (C.I.F) ES B-78510153, registered with the Official Register of Auditors under number S0702, as Auditors of the Company to review the annual accounts and the management reports of the Company and the consolidated ones of the Inditex Group, for the term commencing on February 1st, 2006 and ending on January 31st, 2007.

This resolution was passed having been voted for by 99.99% of the voting quorum

Sixth.- Proposed amendment to the Articles of Association: articles 17 (Notice) and 27 (Appointment and duration of the office of Director)

It was resolved to amend **articles 17 and 27** of the Articles of Association with regard to the calling of the Annual General Meeting of Shareholders and the term of the office of director, respectively which shall hereinafter read:

a. **Article 17**.- Notice. Universal General Meetings.

1. General Meetings, both Annual and Extraordinary, must be called by the Board of Directors by notice published in the Official Gazette of the Companies Register and in a major newspaper of the province where the Company has its Registered Office, at least one month prior to the date set for the meeting, such notice to state the place, date and time on which the meeting is to be held on first call and the date on which, where appropriate, the meeting shall be held on second call. At least twenty four hours must lapse between those two dates. The notice shall likewise contain a complete agenda.

2. Shareholders who represent at least five per cent of the share capital, may request that a supplement to the notice of the General Meeting be published, to include one or more items on the agenda. This right must be exercised by means of an irrefutable notice to be received at the corporate seat within five days of the date of publication of the notice. The supplement to the notice must be published at least fifteen days prior to the date set for the meeting of the General Meeting of Shareholders

3. Notwithstanding the provisions set above, it shall be understood that a General Meeting has been properly called and shall be validly held to deal with any business, provided that all the share capital is present and the shareholders unanimously decide to hold such meeting.

b. **Article 27**.- Appointment and duration of the office of Director.

1. Directors shall be appointed by the General Meeting and shall hold their office for a five year term.

2. The Directors may be reappointed indefinitely by the General Meeting, who may likewise decide the removal of any of them at any time.

3. The Board of Directors itself may fill any vacancies internally that should arise in it, appointing from among the shareholders the persons who shall fill the vacancies until the first General Meeting.

*With regard to said amendments to the Articles of Association, in compliance with the provisions of **article 144.1**. a) of the Revised Text of the Spanish Corporations Act, it was unanimously resolved by the Board of Directors in the session held on 13 June 2006 to approve the Report which will be attached to the Minutes as an Annex thereto.*

This resolution was passed having been voted for by 99.74% of the voting quorum

Seventh.- Proposed amendment to the General Meeting of Shareholders´ Regulations: articles 8 (Notice) and 22 (Voting of the Proposed Resolutions)

It was resolved to amend the following paragraphs of **articles 8 and 22** of the Regulations of the General Meeting of Shareholders, which shall hereinafter read as follows, with the remaining paragraphs of the affected articles remaining unchanged:

a. **Article 8**. Notice

General Meetings, either Annual or Extraordinary, shall be called by the Board of Directors by notice published in the Official Gazette of the Companies Register and in a major daily newspaper in circulation in the province where the Company has its registered office, at least one month in advance of the date set for the meeting or the greatest period of time required by the Law, where appropriate, depending on the resolutions submitted to its deliberation.

The notice shall state the place, day and hour on which the General Meeting is to be held on first call, as well as, if necessary, the date on which the Meeting is to be held on second call. A 24-hour period shall pass at least between the first and the second call. The notice of call shall also state clearly, all the matters to be discussed therein. Shareholders who represent at least five per cent of the share capital, may request that a supplement to the notice of the General Meeting be published, to include one or more items on the agenda. This right must be exercised by means of an irrefutable notice to be received at the corporate seat within five days of the date of publication of the notice. The supplement to the notice must be published at least fifteen days prior to the date set for the meeting of the General Meeting of Shareholders.

No later than the day of publication, or in any case the immediate following working day, the Company must send the notice, and where appropriate, the eventual supplement thereto, to the Span-

ish Securities and Exchange Commission [Comisión Nacional del Mercado de Valores], hereinafter "CNMV", as well as to the Governing Companies of the Stock Exchanges wherethe shares of the Company are quoted for its insertion in the Stocks´ Gazettes. The text of the notice and where appropriate, of the eventual supplement thereto, can also be accessed at the Company´s web page.

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and validly held to discuss any matter, whenever the whole corporate capital is present and all those attending unanimously agree to hold the meeting.

b) **Article 22**. Voting of the proposed resolutions

4. As a general rule and without prejudice to the use of other alternative systems the Chairman might deem necessary to use where circumstances so require, voting on the proposed resolutions shall be performed according to the following procedure:

(i) When the voting is on proposed resolutions regarding items on the agenda, the votes of the shares present and represented shall be deemed votes in favor of the motion, after subtracting the votes pertaining to (a) those shares whose holders or proxies state that they vote against, in blank or that they abstain, and who inform of their votes or abstention to the Notary to be put on record; (b) those shares whose holders have voted against, in blank or had expressly stated their abstention through any of the means referred to in the following article, and (c) those shares whose holders or proxies had left the meeting prior to the voting of the proposed resolution in question, and had recorded their leave with the Notary, in the form provided in ***article 18.5*** *of these Regulations.*

(ii) When the voting is on proposed resolutions regarding matters not included on the agenda, the votes of the shares present and represented shall be deemed against the motion, after subtracting the votes pertaining to (a) those shares whose holders or proxies state that they vote for, in blank or that they abstain, and who inform of their votes or abstention to the Notary to be put on record; (b) those shares whose holders have voted for, in blank or had expressly stated their abstention through any of the means referred to in the following article, and (c) those shares whose holders or proxies had left the meeting prior to the voting of the proposed resolution in question, and had recorded their leave with the Notary, in the form provided in ***article 18.5*** *of these Regulations.*

This resolution was passed having been voted for by 99.97% of the voting quorum

Eighth.- Approval, where appropriate, of a Stock ownership Plan of the Company addressed to members of the senior management, including executive directors and other key employees of the Inditex Group, and subsequent award of shares of the Company to its beneficiaries.

It was resolved to approve:

1. Pursuant to the provisions of **article 130** and of the Fourth Additional Provision of the Spanish Corporations Act, and further implementing legislation, the establishment of a stock ownership plan of the Company addressed to members of the management team, including executive directors

and other key employees of the Inditex Group, that involves the award of shares to the beneficiaries thereof (hereinafter, "the Plan"), pursuant to the following basic terms and conditions:

(i) The Plan shall consist of the promise to award ordinary shares of Industria de Diseño Textil, S.A. (Inditex, S.A.), for a par value of 0.15 euro of the same class and series as the remaining shares of the Company, recorded through the book entry system to the beneficiaries for free, on a certain date and pursuant to the terms and conditions provided in this resolution, as well as in those instruments that implement it.

(ii) This Plan consists of allocating to the beneficiaries a number of units whose goal is to facilitate the determination of a number of shares to be awarded to each Beneficiary, where appropriate, at the completion of the Plan, in accordance with the appreciation of the weighted average price of the share of the Company during calendar years 2006 and 2007 with regard to the weighted average price of the last calendar quarter of the year 2005, pursuant to the terms and conditions provided to implement this resolution The Units are not of a capital value, they shall be granted for free, that is for no consideration whatsoever and, as is the case of the rights of the beneficiaries arising out of their participation in this Plan, they may not be transferred to any third parties, whether inter vivos or mortis causa, except as otherwise provided, in the implementation of this resolution.

(iii) The Plan shall be in force until the 1st October 2008, date of vesting of the right to be awarded the shares to which the beneficiaries may be entitled, where appropriate, subject to the cases of an advance settlement that may be provided to implement this resolution.

(iv) The maximum number of shares of Industria de Diseño Textil, S.A. (Inditex, S.A.) covered by the Plan amounts to 2,348,383, representing 0.37% in the share capital, a maximum number of .125,000 of which shall be for executive directors and up to a maximum of 2,223,383, for the rest of officials and key employees of the Company and its affiliated companies.

(v) It is hereby resolved to allocate to the Plan all or part of the 2,348,386 remaining shares of the stock options plan approved by the Annual General Meeting of Shareholders in the session held on 20 July 2000, 19 January 2001 and 20 April 2001, representing 0.37% of the share capital, issued as a result of a capital increase resolution passed on 20 July 2000, subscribed by a financial entity in order to help the Company enforce the commitments undertaken vis-à-vis the beneficiaries of said stock options Plan.

(vi) Should there be any remaining shares after the completion of the Plan, the Annual General Meeting of Shareholders may resolve that such shares be allocated, among other possible purposes, to new Stock ownership Plans for directors of the company and / or personnel of the Inditex Group of the Company.

2. For the purposes of covering the execution of this Plan, and subject to the authorization covered in Resolution Nine below, it is hereby resolved to authorise the Board of Directors with the express powers of substitution, so that, in accordance with the provisions of **article 75** et seq. of the Spanish Corporation Act, and pursuant to the provisions of the paragraph v) section 1 above, it may proceed

to the derivative acquisition of its own shares observing the legal limits and requirements and the following terms and conditions:

a. Methods of acquisition: the acquisition shall be done through purchase and sale, by exercising the call option that the Company has vis-à-vis the financial entity that subscribed the issuance of shares.

b. Maximum number of shares to be purchased:2,348,383, representing 0.37% in the share capital of the Company

c. Price: the purchase price of shares shall amount to 2.93 euros per share, in accordance with the call option granted by the financial entity to the Company.

d. Duration of the authorisation: eighteen (18) months as of the date of this resolution.

For the purposes of the provisions of the last paragraph, section 1 of **article 75** of the Spanish Corporation Act, it is hereby stated that the Company shall use all or part of the shares acquired under this resolution, subject to any other potential uses, to be awarded to the employees or directors of the Company under this Plan.

3. Delegate in the Board of Directors, with express substitution powers, all necessary powers to implement this resolution, it being expressly authorised, among other things:

(a) To execute on behalf of the Company the Stock Ownership Plan, carrying out all necessary or expedient acts to better implement it.

(b) To determine the terms and conditions of the Plan in what has not been expressly provided by the Annual General Meeting of Shareholders, establishing, among other things, the following ones: the exact number of shares subject matter of the Plan, the requirements to be met by beneficiaries in order to receive the shares, the award procedure, the cases of an advanced settlement of the Plan or the expiry of the rights initially allocated, and generally, the whole set of rules governing the Stock Ownership Plan.

(c) To prepare, subscribe and file all the required documents, whether public or private, and to perform any and all necessary acts, statements or steps with the CNMV, the Spanish Central Securities Depositary, in charge of the Register of Securities, and the Clearing and Settlement of all trades (Iberclear) and any other departments, entities or public or private registers, whether Spanish or foreign, to implement the Plan.

(d) To perform all acts that the Company must carry out pursuant to the terms and conditions of the Stock Ownership Plan.

(e) To designate, where appropriate, the bank or banks that must render their services for the Company as regards the execution and administration of the Stock Ownership Plan and to negociate, agree and subscribe the pertaining agreements with the bank or banks so selected, as well as those other contracts or agreements that are deemed expedient with any other entity and, where appropriate, with the beneficiaries, to execute the Plan. entidades y, en su caso, con los beneficiarios, para la ejecución del Plan.

(f) To adapt the contents of the Plan to the transactions of the Company that might take place while the same is in force, so that the terms of the Plan are kept unchanged.

And generally, to carry out such other acts that are necessary or just expedient for the success of the Stock Ownership Plan.

This resolution was passed having been voted for by 90.99% of the voting quorum

Ninth - Authorization to the Board of Directors for the derivative acquisition of own shares

The Board of Directors was authorised so that, in accordance with the provisions of **article 75** et seq. of the Spanish Corporation Act, it may proceed to the derivative acquisition of its own shares, either directly or through any subsidiaries in which the Company is the controlling company, observing the legal limits and requirements and under the following conditions:

a. Methods of acquisition: the acquisition shall be done through purchase and sale, exchange or dation in payment.

b. Maximum number of shares to be acquired: shares with a nominal value which, added to that of those shares already in the possession of the Company, directly or indirectly, do not exceed 5% of the share capital.

c. Maximum and minimum prices: the minimum price of acquisition of the shares shall be their nominal value and the maximum price shall be up to 105% of their market value at the date of purchase.

d. Duration of the authorization: eighteen (18) months from the date of this resolution.

This authorization annuls the authorization approved by the General Meeting of Shareholders held on 15 July 2005"

This resolution was passed having been voted for by 93.46% of the voting quorum.

Tenth- Remuneration of the Board of Directors

With regard to this item, we refer to the provisions set forth under paragraph B.1.11 above, which transcribes the resolution of the AGM regarding the remuneration of the Board. This resolution was passed having been voted for by 99.95% of the voting quorum.

Twelfth.- Granting of powers for the implementation of resolutions.

The Board of Directors was delegated, expressly empowering it to be substituted by the Executive Committee or by any of its members, the necessary powers as wide as statutorily required for the correction, development and implementation, at the time that it considers most appropriate, of each of the resolutions passed in this Annual General Meeting.

In particular, to empower the Chairman of the Board of Directors, Mr. Amancio Ortega Gaona, the First Deputy Chairman and C.E.O., Mr. Pablo Isla Álvarez de Tejera and the Secretary of the Board, Mr. Antonio Abril Abadín so that, any of them, jointly and severally, without distinction, and as widely as is necessary in Law, may carry out whatever actions are appropriate to implement the resolutions passed in this General Meeting in order to register them in the Companies Register and in any other Registries, including, in particular, and amongst other powers, that of appearing before a Notary Public to execute the public deeds and notary's certificates that are necessary or advisable for such purpose, correct, rectify, ratify, interpret or complement the agreements and formalize any other public or private document that is necessary or appropriate so that the resolutions passed are implemented and fully registered, without the need for a new resolution of the Annual General Meeting, and to proceed to the mandatory filing of the individual and consolidated annual accounts with the Companies Register.

This resolution was passed having been voted for by 99.99% of the voting quorum.

Finally, as eleventh item on the agenda, which was not put to vote given its purely informative nature, the Board of Directors, pursuant to the provisions of **article 115** of the Stock Exchange Act, reported to the AGM on the amendment of the Board of Directors´ Regulations.

The full text of the resolutions has been available to the public since 18 July 2006 on the corporate web page (www.inditex.com) and through the web page of the CNMV.

E.9 Number of shares that are necessary to attend the General Meeting and restrictions laid down in the articles of association

In accordance with the provisions of the Articles of Association and of the Regulations of the General Meeting of Shareholders, further to the amendments introduced to both sets of rules approved by the Annual General Meeting of Shareholders held on 16 July 2004, shareholders who have their shares registered in their name in the book entry register at least five days prior to the date set for the meeting, in addition to keeping them until the holding of the Meeting and to being up to date in the payment of capital calls, are eligible to attend the General Meeting, regardless of the number of shares they hold.

The requirement to hold at least 50 shares in the Company in order to be eligible to attend the General Meetings is therefore suppressed, so as to facilitate that all shareholders take part in the passing of resolutions by the General Meeting.

To exercise his right to attend, the shareholder must previously be authorized through the corresponding nominative card of attendance, on which the number and the class of the shares he holds is indicated, as well as the number of votes he can tender. The card shall be issued by the entity responsible for the accounting register to those holders of shares that prove that the shares were registered in the aforementioned register before the time limit prior to the meeting stated in the first paragraph of this subsection.

E.10 Policies followed by the company in relation to proxies in the General Meeting of shareholders

Article 12 of the Regulations of the General Meeting of Shareholders, developing the provisions of **article 20** of the Articles of Association, lays down:

1. Any shareholder who has the right to attend may be represented by a proxy in the General Meeting, even if the proxy is not a shareholder. Each Meeting shall require such proxy to be conferred in writing and for each proxy to be specifically granted for each particular meeting. Said requirement shall not apply when the proxy is the spouse, ancestor or descendant of the represented person, nor when the proxy holds a general power of attorney conferred by public document with powers to administer all the estate that the represented person has on national territory. Shareholders may not be represented in a General Meeting by more than one proxy.

*2. Proxies may be granted by postal or electronic mail, and in this case, the provisions of **article 23** of the Corporate by-laws regarding the casting of votes in such manners, shall apply, provided that it is not incompatible with the nature of proxy.*

*3. Proxies shall be included in the list of members in attendance, stating in case they are granted in a public document, the date of execution, the authorizing Notary, and the number of the record. Notwithstanding the above, the person acting as Chairman of the General Meeting in accordance with the provisions of **article 22** of the Articles of Association, may ask the proxy to provide the documentation that proves the nature of its representation. The Company shall keep a record of those documents containing the conferred representations proxies granted.*

4. Proxies can always be revoked. The attendance of the proxy-giver at the Meeting, either in person, or having effected the vote by remote communication systems, shall have the effect of a revocation, regardless of the date on which the proxy was granted.

5. Unless the proxy-giver so indicates, should the proxy be in a conflict of interests, it shall be assumed that the proxy-giver has appointed as proxies as well, jointly and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.

6. If no instructions regarding the vote on proposals of the agenda were given, it shall be understood that the proxy shall vote in favour of said proposals submitted by the management body. If no instructions *regarding the vote on proposals not included on the agenda were given, it shall be understood that the proxy shall vote against said proposals.*

7. Where the document containing the proxy or delegation is submitted to the Company without expressly stating the name of the proxy, it shall be assumed that the proxy-giver has appointed as proxies as well, jointly and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.

E.11 Awareness by the company of the policy of the institutional investors as to participation or lack of participation in the company's decisions

The share capital of Inditex is represented by the book-entry system and there is no shareholders' register. The company is not expressly aware nor has it received any notice regarding the policy of the institutional shareholders with respect to participation in company decision-making.

E.12 Address and means of access to the corporate governance content on the web page

The address of the corporate web page of Inditex is www.inditex.com.

During fiscal 2004, a new revision of the Inditex web page was carried out, adapting its content and the time period of the communication of information to the requirements of Spanish Ministerial Order ECO/3722/2003, of 26 December, and, above all, to the requirements established in Circular 1/2004, of the CNMV.

The way to access the corporate governance contents is the following: once you are on the corporate web page, , there is a menu with several areas, among them the one called "Information for Shareholders and Investors". If you click on that heading, or place the cursor thereon, the sections headed "Investor Relations", "CNMV filings" "Corporate Governance" and "Contact for Investors" will appear. It is also possible to download from this page many different documents of interest to shareholders and investors.

Within these last two sections of the web page, it is possible to have access to the following information and documentation:

• **Rules and regulations:** Articles of Association, the Regulations of the General Meeting of Shareholders and the Board of Directors' Regulations and the Internal Regulations of Conduct Regarding Transactions in Securities.

• **Shareholding structure:** share capital, number of shares, significant holdings, information on treasury stock, etc.

- **The General Meeting of Shareholders:** notices of meeting, agendas of meetings, proposed resolutions, reports from the members of the Board, full texts of the documents put forward to the General Meeting for their approval or that are submitted thereto for its information, presentations given, quorums, resolutions passed, votes cast and which way they were cast.

- **Board of Directors:** composition of the Board, of the Executive Committee, of the Audit and Control Committee and the Nomination and Remuneration Committee, with details of the different types of directors and the positions they hold in each of the committees or bodies; shares held in the company by the Board of Directors and remuneration policy.

- **Relevant facts and other communications.**

- **Other relevant information:** daily and historic price of the share, investor diary, dividends, financial information, Annual Report for the last few years; financial information (annual and quarterly results, presentations and webcasts), press releases, public periodic information, para-social agreements, transactions with related parties, Annual Corporate Governance Reports and communication channels with the company.

Furthermore, and in accordance with the provisions in Circular 1/2004 of the CNMV, certain corporate governance documents are directly accessible from the site map on the web site.

Finally, it must be pointed out that the information included on the web page, apart from certain documents, is given in two languages: Spanish and English.

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2.F Degree to which the Good Governance recommendations have been followed

F.1 Degree to which the good governance recommendations have been followed

As has been set forth in this report, and pursuant to the thorough review included in last year´s Annual Corporate Governance Report, throughout fiscal year 2004, the adaptation process of the Articles of Association, the Board of Directors´ Regulations and the Regulations of the General Meeting to the provisions of the Law on Transparency and implementing provisions thereof, was completed, while at the same time other reforms have been implemented, which although not mandatory, attempted to review and update the contents of the internal regulations of the company in light of the most recent trends on good corporate governance issues.

Therefore since FY2004, the company has achieved almost total compliance with the recommendations on corporate governance included both in the report from the Olivencia Commission and in the Aldama Report.

As it was mentioned in the introduction of this document, listed companies shall take as a reference the Recommendations included in the Unified Code of Good Corporate Governance – approved by the CNMV on 22 May 2006 as a single document pursuant to the provisions of ORDER ECO/3722/2003, of 26 December- for the purposes of explaining whether said recommendations on corporate governance are being followed or not, upon submitting the Annual Corporate Governance Report for fiscal year 2007; therefore, when it comes to stating in this report the degree of compliance with the recommendations on corporate governance, the recommendations included in the above mentioned Code have not been considered.

The most relevant aspects regarding the enforcement of the corporate governance recommendations provided in the Olivencia and Aldama Reports, are set out below:

Board of Directors

• The core task of the Board of Directors is the general duty of supervision; article 5 of the Board of Directors´ Regulations sets out its direct duties.

• At the present time, the Board of Directors is comprised of five independent external directors, one domanial external director, one executive domanial director and two executive directors, which results in not only a majority of external directors but also of independent directors, above the proportion that should be met considering the “free float” of the company

• The duties of Secretary of the Board, Letrado Asesor (Consulting Lawyer) and General Counsel of the Inditex Group lie with the same individual, thus fostering his ability to ensure the formal and material legality of the actions of the Board, who is in addition, member of the Board of Directors, thus vesting upon him the highest degree of commitment and responsibility as regards the performance of his duties.

• The two Delegated Committees of Control set up within the Board of Directors, that is the Audit and Control Committee and the Nomination and Remuneration Committee are exclusively comprised of independent directors.

• The Board of Directors´ Regulations provide the obligations of directors stemming from the general duties of diligence and loyalty, and specifically cover the situation of conflicts of interest, the duty of confidentiality, the exploitation of business opportunities and the use of corporate assets.

• It is incumbent on the Board of Directors to learn of any transactions that the Company would carry out with a director or a significant shareholder; said transactions shall not be authorised unless a prior report has been issued by the Nomination and Remuneration Committee assessing it from the perspective of the market conditions and in the event of transactions with significant shareholders, the principle of equal treatment of shareholders must also be considered.

Annual General Meeting of Shareholders

• The right to attend the Annual General Meeting of Shareholders is not conditional upon holding a minimum number of shares.

• There are no limits to the maximum number of votes that one shareholder or the companies belonging to the same group may cast.

• The possibility of granting proxy to attend the AGM and to exercise thereat the right to vote via postal mail or by electronic means is provided in the internal regulations, having the granting of proxy and the voting by electronic means been implanted at the AGM held in July 2005.

External Auditors

• The Audit and Control Committee, fully comprised of independent directors, meets with the auditors in order to review the annual accounts and the periodic financial information that the Board of Directors must provide to the markets and to its supervisory boards.

• The Audit and Control Committee oversees the terms and conditions as well as the enforcement of the agreements entered into with the external auditors to carry out assignments other than those consisting of the audit of the financial statements, and the Annual Report of the company provides information on the fees paid to the external auditors for assignments other than the statutory audits.

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2.G Other information of interest

Other relevant aspects relating to corporate governance practices applied by the company

All the principles or relevant aspects relating to corporate governance practices applied by Inditex have been covered in this Report.

The Company is not subject to any legislation other than the Spanish legislation in corporate governance matters.

All relevant information on corporate governance for fiscal 2006, which commenced on 1 February 2006 and closed on 31 January 2007, is included in this Report, excepting those other cases in which other dates of reference are specifically mentioned.

Further to 31 January 2007, the following facts that affect the information provided in this Annual Corporate Governance Report have occurred:

As a result of the approval of the Unified Good Governance Code, and in accordance with the corporate governance policy of the company consisting of undertaking the existing best practices on this issue, Inditex shall proceed throughout 2007 to adjust its internal regulations to the aforementioned Unified Code.

This Annual Corporate Governance Report has been approved by the Board of Directors of the company, in its meeting held on 12 June 2007.

Directors who have voted against, or have abstained from voting in relation to the approval of this report.

None of the directors have voted against or have abstained from voting in relation to the approval of this Report.

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03

Audit and Control Committee Activities Report

Inditex has **adjusted** its internal **regulations** in **order** to **enhance** the **duties** of the **Audit** and **Control Committee**. This **document shows** the **activities** of **said body** during **fiscal** 2006.

Preliminary

The Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.)(hereinafter, Inditex), in line with the changes introduced by Act 44/2002, of 22 November, on Measures for the Reform of the Financial System ("Financial Act") regarding the regulation of corporate governance of listed companies, and in accordance with the latest trends on the subject, highlighted in the Report by the Special Commission to Foster Transparency and Security in the Markets and in Listed Companies ("The Aldama Report"), resolved in its meetings held on 20 March 2003 and 10 June 2004 to amend several rules on corporate governance of the company, amongst them the Board of Directors´ Regulations.

Amongst said amendments, those aimed at enhancing the tasks of the Audit and Control Committee, either by extending the existing functions, or by adding new ones, shall be stressed, being among those latter, the duty of drawing up an annual report of its activities.

This document drawn up by the Audit and Control Committee of Inditex, in the session held on 11 June 2007 is the fourth annual activities report prepared in compliance with the provisions of **article 14.2 (n)** currently in force of the Board of Directors´ Regulations of the Company.

3.1 The Audit and Control Committee of Inditex: origin and evolution, regulations and composition

3.1.1 Origin and evolution

The Board of Directors of Inditex, in the meeting held on 20 July 2000, approved the Board of Directors´ Regulations, under the provisions of article 29.3 of the Articles of Association and in order to adjust to the guidelines of the report drawn up by the Special Commission for the study of an Ethics Code for corporate governance (the "Olivencia Code").

Article 14 of said Regulations established the Audit and Control Committee (first known as Audit and Compliance Committee), with powers similar to those which were later acknowledged by law, since Act 24/1988, of 28 July, governing the Stock Exchange (LMV) incorporated them, as amended by the Financial Act in November 2002.

Subsequently, in its meeting of 20 March 2003, the Board of Directors resolved:

1) To propose to the General Meeting of Shareholders the amendment of the Articles of Association, through a new wording of article 30, in order to include the regulation of the Audit and Control Committee.

2) To approve the amendment to the Board of Directors´ Regulations, in order to enhance the functions of the Audit and Control Committee, with the assumption of new tasks and the extension of those already existing.

Thus, the Additional Provision introduced on the Stock Exchange Law by the Financial Act, according to which those issuing companies whose shares were admitted to trading on secondary official securities markets should have an Audit Committee, was enforced, as were the last trends concerning corporate governance issues of listed companies established by the Aldama Report, laying with the Articles of Association the task of fixing the number of members, the powers of the Committee and the rules governing its operation.

Subsequently, it was resolved by the Board of Directors in its meeting held on 10 June 2004, to approve a new Revised Text of the Board of Directors´ Regulations, which would include the provisions of Act 26/2003 of 17 July, amending the Stock Exchange Act and the Revised Text of the Spanish Corporation Act in order to foster transparency in listed companies ("the Transparency Act") and its bylaws. With this new amendment the Audit and Control Committee was enhanced with the inclusion of a new duty.

3.1.2 Regulations

Article 31 of the Articles of Association currently in force provides as follows:

Article 31.- Audit and Control Committee.

1. An Audit and Control Committee shall be formed within the Board of Directors made up of a minimum of three and a maximum of five directors who must necessarily be independent directors.

To this end, independent directors are understood as those professionals of repute not linked to the executive team or the significant shareholders and that meet the requirements that ensure their impartiality and objectivity of opinion.

2.- The Chairman of the Audit and Control Committee shall be elected for a maximum period of four years, upon expiry of which he shall be replaced. However, a year after the date of expiry, he may be re-elected.

3.- Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Audit and Control Committee shall perform the following duties:

a) To report to the General Shareholders' Meeting on those questions put forward by shareholders regarding matters within the scope of its competence.

b) To propose to the Board of Directors, in order to be submitted to the General Shareholders' Meeting, the appointment of the external auditors that must review the annual accounts

c) To supervise the internal audit services.

d) To know the financial information process and the internal control systems of the Company

e) To liaise with the external auditors in order to receive information on those matters that could put at risk their independence and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards.

4. The Audit and Control Committee shall ordinarily meet quarterly in order to review the periodic financial information that has to be relayed to the Stock authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions

5. The management team or the personnel of the Company shall be obliged to attend the meetings of the Committee and to give their help and access to the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance at its meetings of the Auditors of the Accounts.

6. The Audit and Control Committee may develop and complete in its Regulations the aforementioned rules, in accordance with the provisions of the Articles of Association and with the Law.

Meanwhile, **article 14** of the Board of Directors´ Regulations, in the wording approved by the Board in the meeting held on 10th June 2004, sets forth as follows:

Article 14. The Audit and Control Committee

1. The Audit and Control Committee shall be made up of a number of directors being no less than three and no greater than five, who shall necessarily be independent directors. The Chairman of the Committee shall be elected for a maximum period of four years. He may be re-elected a year after expiry of said maximum period

2. Without prejudice to other tasks it is assigned by the Board, the Audit and Control Committee shall have the following basic responsibilities, which are:

a) To report to the General Shareholders' Meeting on those questions put forward by shareholders regarding matters within the scope of its competence.

b) To propose to the Board of Directors, in order to be studied by the General Shareholders' Meeting, the appointment of the auditors. Furthermore, to propose to the Board of Directors their contractual conditions, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment;

c) To liase with the external auditors in order to receive information on those matters that could put at risk their independence and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards.

d) To supervise the fulfilment of the auditing contract, endeavouring for the opinion about the annual accounts and the main contents of the auditor's report to be drawn up in a clear and precise manner and to evaluate the results of each audit process;

e) To supervise the terms and the observance of the contracts entered into with the external auditors of the Company for the performance of works or tasks other than those included in the audit contract.

f) To supervise the Internal Audit Department of the Company and its Group, approving the budget of the Department, the Plan of Internal Audit, and supervising the material and human resources, whether internal or external, of the Internal Audit Department for the performance of their work. To report on the appointment of the Internal Audit Department Director prior to the corresponding report from the Nomination and Remuneration Committee.

g) To supervise the process of financial information and the internal control systems of the Company, and to check the suitability and integrity of the same.

h) To review the Company's annual accounts and the periodic financial information that the Board must provide to the markets and to the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles *i) To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.*

j) To examine compliance with the Internal Regulations of Conduct Regarding Transactions in Securities, with these Regulations, with the Code of Conduct and, in general, with the rules of governance of the Company and to make the necessary proposals for their improvement.

k) To receive information and, where appropriate, to issue reports on the disciplinary measures intended to be imposed on the members of the senior management team of the Company.

l) To report during the first three months of the year and whenever the Board of Directors so requests on compliance with the Code of Conduct and to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with the Code.

m) To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.

n) To draw up an annual report on the activities carried out by the Audit and Control Committee itself.

o) To supervise the functioning of the Company´s web page regarding the provision of information on corporate governance as referred to under article 40.

3. The Audit and Control Committee shall ordinarily meet quarterly in order to review the periodic financial information that has to be relayed to the Stock authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions

4. The management team or the personnel of the Company shall be obliged to attend the meetings of the Committee and to give their help and access to the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of its meetings by the Auditors of the Accounts.

5. For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts, to which purpose the provisions of article 25 27 of these Regulations shall apply.

3.1.3 Composition

The Executive Committee of Inditex, S.A., in the meeting held on 27 October 2000, appointed the members of the Audit and Control Committee, resolving thus its initial composition

Said initial composition was ahead of the provisions subsequently included in the Stock Exchange Act, regarding the requirements that the Committee be formed by a majority of non-executive directors, and that the Chairman be elected amongst said non-executive directors.

Nevertheless, the amendments to the Board of Directors´ Regulations that the Board resolved in its meeting of 20 March 2003 were beyond both the provisions of the Law then in force and the recommendations of the Aldama Report, since the requirement that all members of the Audit and Control Committee should be independent directors was made an internal regulation. This resolution entailed the necessary modification to the composition of the Committee. To meet this requirement, the only executive director of the Audit and Control Committee tendered his resignation as a member thereof, and another independent director was appointed as member of this Committee, prior report of the Nomination and Remuneration Committee.

On 9 June 2005, it was resolved by the Board of Directors of the company, prior report of the Nomination and Remuneration Committee, to extend the number of members of the Audit and Control Committee to five.

As a result of said amendment, the current composition of the Audit and Control Committee of Inditex is shown below:

Chairman	Mr. Francisco Luzón López
Members	Ms. Irene Ruth Miller
	Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós
	Mr. Juan Manuel Urgoiti López de Ocaña
	Mr. José Luis Vázquez Mariño
Secretary (non member):	Mr. Antonio Abril Abadín

A brief description of the profile of each of the members of the Committee is given below:

Mr. Francisco Luzón López (59): An independent director since February 1997. He is a graduate in Business Studies and Economics from the University of Bilbao, and has been a lecturer at the University of Deusto (Bilbao). He joined the Banco de Vizcaya in 1972, gaining wide experience in that Group in different Units and functions, becoming General Manager and Board member in 1986. In 1988 and after its merger with the Banco de Bilbao, he went on to become a member of the Board of Directors of the Banco Bilbao Vizcaya. At the end of the same year, he was appointed President of the Banco Exterior de España, office which he held from 1988 to 1996. In 1991 he was the impulse behind the creation of the new Grupo Bancario Argentaria of which he was the founder and was Chairman until 1996. After that year, he joined the Banco Santander Central Hispano as Director-General Manager, Deputy to the Chairman and in charge of Strategy, Communication and Institutional Relations. At the present time, he is responsible for the area of Latin America for the aforementioned financial institution. He is the world Deputy Chairman of Universia and Chairman of the Social Board at the University of Castilla-La Mancha

Ms. Irene Ruth Miller (55): An independent member of the Board since April 2001. She is a graduate of the University of Toronto with a Bachelor in Science and of Cornell University with a Master of Science in chemistry. She began her career at General Foods Corporation and later worked as an investment banker for Rothschild Inc. and Morgan Stanley & Co. In 1991 she joined Barnes & Noble, Inc. as Senior Vice President of Corporate Finance and in 1993, in advance of its flotation, became Chief Financial Officer. In 1995, she was appointed director and Vice-Chairman of the Board of Directors of Barnes & Noble. At the present time, she is the CEO of Akim, Inc., an American investment and consulting firm, which she joined in 1997. She is also a member of the Boards of Directors of Coach Inc.,(where she is lead director), Barnes & Noble, Inc., and Toronto-Dominion Bank Financial Group.. She previously served on the Boards of Oakley Inc., Benckiser N.V. and The Body Shop International Plc

Mr. Carlos Espinosa de los Monteros y Bernaldo de Quirós (63): An independent director since May 1997 and Second Deputy Chairman since September 2005. A graduate in Law and Business Studies from ICADE, he is a Commercial Expert and State Economist and holds an MBA from Northwestern University. He has been the Deputy Chairman of the Instituto Nacional de Industria, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the Circulo de Empresarios, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he is the Chairman of the Board of Directors of Daimler Chrysler España, of Fraternidad – Muprespa, of González Byass, S.A. and Board member of Acciona, S.A.

Mr. Juan Manuel Urgoiti López de Ocaña (67): He has been an independent director since January 1993. He is a graduate in Law from the University of Madrid, beginning his career in the Banco de Vizcaya in 1962. After holding various executive positions, he was appointed General Manager in 1978, director in 1984 and CEO in 1986. In 1988, after its merger with the Banco Bilbao he was appointed CEO of the Banco Bilbao Vizcaya. He has been President of Ahorrobank, Banco de Crédito Canario, Banco Occidental, Instituto de Biología y Sueroterapia and Laboratorios Delagrange and Board member of Antibióticos, S.A. At the present time he is the Chairman of the Banco Gallego, Deputy Chairman of Acciona, S.A., member of the Board of Necso, S.A., and member of the European Advisory Board of Citigroup. He is Chairman of the Board of Trustees of the Reina Sofia National Museum and Art Centre and a member of the Board of Trustees of the Prado Museum. He is President of the private foundation Fundación José Antonio de Castro and is a member of other foundations and institutions. He holds the Gran Cruz de Mérito Civil and has been awarded the honour of Commander of the Order of the British Empire. (C.B.E.).

Mr. José Luis Vázquez Mariño (62): An independent Director since March 2005. A Commerce professor, he holds a B.Sc in Economic and Business Studies and is a certified public accountant. He has spent his professional career at Arthur Andersen where he was in charge of the Financial and Human Resources divisions worldwide and was made Area Managing Partner for Latin America. AT the present time, he is member of the Boards of Directors of Banco Pastor and La Voz de Galicia, S.A.

All members of the Audit and Control Committee are independent directors.

3.2 Activities of the Audit and Control Committee

3.2.1 Sessions held and business transacted

The sessions held by the Audit and Control Committee throughout FY2006 and the main business transacted are shown below:

DATE OF SESSION	AGENDA
02/09/2006	- Internal Audit – issues within its remit - Resources and Needs of Internal Audit
03/27/2006	- Review of the Annual Accounts of the Company for FY2005. - Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies. - Internal Audit. Issues of its remit. - Half-yearly report (August 2005-January 2006) of the Code Compliance Supervisory Board (CCSB).
04/27/2006	-Internal Guidelines for the Responsible Practices of the Inditex´ s Group personnel - Internal Audit. Issues of its remit.
05/22/2006	- Amendment of the Board of Directors´ Regulations (art. 3.2) B.D.R.). Reference to the amendment of the Articles of Association and of the General Meeting of Sharehol-ders´ Regulations (European Public Limited Company Act) - Amendment of the Internal Regulations of Conduct regarding Transactions in Securi-ties (D.R. on Market Abuse) (art. 14.2.j) B.D.R.) - Internal Audit. Issues of its remit. - Annual Activities Report of the Audit and Control Committee (art 14.2.n) B.D.R.) - Report of the General Counsel´s Office on the current stage of Inditex regarding Corporate Governance and Reputation. - Budget for FY2006.
06/12/2006	- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies. - Internal Guidelines for the Responsible Practices of the Inditex´ s Group personnel. - Annual Corporate Governance Report - Preparation of the "Triple Report" on financial, social and environmental issues. - Proposed re-election of Auditors - Internal Audit. Issues of its remit.
07/17/2006	- External Audit. Review of the Periodic Financial Information - Internal Audit. Issues of its remit.
09/19/2006	- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies. - Meeting with the external auditors. - Half-yearly report (February-July 2006) of the Code Compliance Supervisory Board (CCSB)
11/13/2006	- Internal Audit. Issues of its remit.
12/11/2006	- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies - Internal Audit: Internal Audit Plan 2007. Proposed activities

3.2.2 Lines of action

As for the lines of action of the Audit and Control Committee during FY2006, they have revolved around the following aspects:

Periodic financial information, annual accounts and auditors´ report

The Audit and Control Committee reviews the economical and financial information of the company prior to the approval thereof by the Board of Directors.

To this end, prior to the disclosure of the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Management of the Company to review the application of the accounting principles, estimations considered while preparing the financial statements, etc.,

Likewise, the Committee, fully comprised of external independent directors, meets with the external auditors without the Managers of the company being present, in order to review the annual accounts of the company and the periodic financial information, monitoring that the legal requirements are met and that the accounting standards generally accepted are correctly applied.

In its meetings held on 27 March, 12 June, 19 September and 11 December, the Audit and Control Committee proceeded to review thoroughly the results for FY2005 and for the first three quarters of FY2006, that the Board of Directors must provide quarterly to the market and to its supervisory bodies, in accordance with the format of the Public Periodic Information ("PPI"), and the pertaining Results Release and Press Release.

Likewise, the individual and consolidated Annual Accounts, the Management Report and the Auditors´ Report for FY2005 were reviewed, it being verified by the Committee that the latter was unqualified.

Efficiency and independence of the Auditors

With the attendance of the session held on 27 March 2006 by the Auditors of the Group, who had been previously called to this end, the Audit and Control Committee analysed the audit carried out during FY2005.

The assignment conducted by the auditors consisted of the audit of the consolidated financial statements of the Group as at 31 January 2006, the audit of the individual financial statements of certain companies within the Group also as at 31 January 2006; and the review of certain periodic financial information by means of several control procedures. .

Finally, the major issues subject to a special analysis were also reviewed, pointing out different areas: international, national, accounting issues and other topics of less significance.

Internal Audit

Both the Director and the rest of members of the Internal Audit Department, the Chief Executive Officer and the external auditors attended the meetings of the Audit and Control Committee held throughout 2006 and took the floor, since the internal audit was one of the key lines of action of the Committee during this fiscal year.

In the various meetings it held, the Committee went through several areas of its remit, the approval of the Internal Audit Plan for 2007 included.

Annual Report on Corporate Governance

The Audit and Control Committee in its session of 12 June 2006 gave a favourable report to the Annual Corporate Governance Report for FY2005, drawn up as regards its format, contents and structure, pursuant to the provisions of the Circular 1/2004, of 17 March, and it was resolved by the Committee to submit it to the Board of Directors for approval and to recommend the dissemination thereof through those means set forth in the prevailing legislation and regulations in force.

"Triple Report": financial, social and environmental

The Committee gave a favourable report to the Sustainability Report also known as "Triple Report" for the year 2005, drawn up taking into account the guidelines, in the 2002 version, of the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) and following the principles thereof. This is the fourth time this Triple Report has been published.

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The Sustainability Report contains a complete information on the activities INDITEX, S.A. and its corporate Group over the last years and especially in fiscal 2005, regarding the three dimensions or areas of the Group: financial, social and environmental.

Report on the internal regulations

The Audit and Control Committee, in observance of the proposals tabled to this end by the General Counsel´s Office of the company, and pursuant to the provisions of the Board of Directors´ Regulations, gave a favourable report to the amendment of the following internal rules: i) Board of Directors´ Regulations, Articles of Association and General Meeting of Shareholders´ Regulations, in order to adjust them to the amendments introduced by the First Final Provision of Act 19/2005 of 14 November, on the European Public Limited Company, in the matters of calling the Annual General Meeting of Shareholders and of the term of office for directors; and ii) to adjust them to the provisions of Real Decreto 1333/2005, of 11 November, implementing the Stock Exchange Act in the matter of market abuse.

Internal Guidelines for the Responsible Practices of the Inditex´ s Group Personnel

The members of the Committee reviewed in various meetings several drafts of the above referred Guidelines prepared by the General Counsel´s Office of the company, and a favourable report was given to the final text thereof in the meeting held on 12 June 2006, which was approved by the Board of Directors in the session held a day later, With these regulations, the Inditex Group has taken a step forward in the quest to procure the professional, ethical and responsible behaviour of its employees in the performance of the activities of the company throughout the world, and to help prevent corruption in all its forms. This quest began in February 2001 when the "Code of Conduct" of the company was approved.

Annual Report of the Audit and Control Committee

The Committee drew up its third Activities Report showing the activities carried out by this body during FY2005

Other lines of action

• Review of the quarterly reports drawn up by the Code Compliance Office on the incidences occurred with regard to the compliance with the Internal Regulations of Conduct Regarding Transactions in Securities (IRC), pursuant to the provisions of article 10.2.4 thereof.

• Review of the half-yearly reports drawn up by the Audit and Control Committee on the measures taken to promote the knowledge and guarantee the enforcement of the provisions of the IRC, in accordance with the provisions of article 10.1.4 thereof.

3.3 Main relationships of the Audit and Control Committee

3.3.1 With the Annual General Meeting of Shareholders

The Chairman of the Audit and Control Committee reports to the Annual General Meeting on those questions therein raised by the shareholders with regard to matters within its remit, pursuant to the provisions of the Law, the Articles of Association and the Board of Directors´ Regulations.

3.3.2 With the Board of Directors

At the beginning of each session of the Board of Directors, the Chairman of the Audit and Control Committee reports on the main business transacted in the last meeting of the Committee.

3.3.3 With the CEO and the Senior Management

The Committee encourages the appearance in its sessions of the CEO and of the senior managers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent, so that the Audit and Control Committee may have a direct knowledge of the situation of business.

To stress the independence of the Audit and Control Committee with regard to the management of the Company and of the Group, all members of the Committee are independent directors.

3.3.4 With the General Counsel´ s Office

The General Counsel and Secretary of the Board, in his capacity as Code Compliance Officer also, periodically informs the Audit and Control Committee on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and in general, on the degree of enforcement of the rules of the company on corporate governance.

3.3.5 With the Internal Audit Department

The Internal Audit is a centralized function included in the current organizational structure by means of a direct link to the Board of Directors to which it is functionally subordinated through the Audit and Control Committee.

The Director of the Internal Audit Department is responsible for the Internal Audit function.

The Director of the Internal Audit Department regularly reports to the Committee, which is the main recipient of the results achieved by the Internal Audit function, in the assignments performed in the various fields of the auditing activity.

Meanwhile, the Audit and Control Committee supervises the Internal Audit Department, approving its budget, the Internal Audit Plan and the resources of the Department to carry out its tasks as well as the contents of its acts.

3.3.6 With external auditors

The relationship of the Board of Directors of the Company and the external auditors of the Group is channelled through the Audit and Control Committee.

The Committee proposes to the Board of Directors the appointment of the external auditors, the terms for their hiring, the scope of their professional mandate and their revocation or non renewal; it liases with them; it supervises the enforcement of the audit contract; it evaluates the results of each audit and supervises the terms and enforcement of those contracts entered into with the auditors for the performance of assignments other than those covered by the audit contract, pursuant to the provisions of article 14 of the Board of Directors´ Regulations. All of the foregoing is in accordance with the provisions of article 14 of the Board of Directors´ Regulations.


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04

Nomination and Remuneration Committee Activities Report

04

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Inditex has **adjusted** its internal **regulations** in order to **enhance** the **duties** of the **Nomination** and **Remuneration Committee**. This **document shows** the **activities** of **said body** during **fiscal 2006.**

Preliminary

The Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.)(hereinafter, Inditex), in line with the changes introduced by Act 44/2002, of 22 November, on Measures for the Reform of the Financial System ("Financial Act") regarding the regulation of corporate governance of listed companies, and in accordance with the latest trends on the subject, highlighted in the Report by the Special Commission to Foster Transparency and Security in the Markets and in Listed Companies ("The Aldama Report"), resolved in its meetings held on 20 March 2003 and 10 June 2004 to amend several rules on corporate governance of the company, amongst them the Board of Directors´ Regulations.

Amongst said amendments, those aimed at enhancing the tasks of the Nomination and Remuneration Committee, shall be stressed.

This document drawn up by the Nomination and Remuneration Committee in the session held on 11 June 2006, is the second annual activities report prepared by said body.

4.1 The Nomination and Remuneration Committee of Inditex: origin and evolution, regulations and composition

4.1.1 Origin and evolution

The Board of Directors of Inditex, in the meeting held on 20 July 2000, approved the Board of Directors´ Regulations, under the provisions of article 29.3 of the Articles of Association and in order to adjust to the guidelines of the report drawn up by the Special Commission for the study of an Ethics Code for corporate governance (the "Olivencia Code").

Article 15 of said Regulations established the Nomination and Remuneration Committee, entrusting it with the relevant duties pursuant to the above mentioned Olivencia Code.

Subsequently, in its meeting of 20 March 2003, the Board of Directors resolved:

3) To propose to the General Meeting of Shareholders the amendment of the Articles of Association, through a new wording of article 32, in order to include the regulation of the Nomination and Remuneration Committee.

4) To approve the amendment of the Board of Directors´ Regulations, clarifying and harmonising some of the duties of the Committee.

Subsequently, it was resolved by the Board of Directors in its meeting held on 10 June 2004, to approve a new Revised Text of the Board of Directors´ Regulations, whereby the duties of the Nomination and Remuneration Committee were once again enhanced, with the inclusion of a new task, regarding the need for the Committee to give a report on the employment agreements of the personnel that include guarantee clauses or severance agreements, before they are subscribed.

4.1.2 Regulations

Article 32 of the Articles of Association currently in force provides as follows:

Article 32. Nomination and Remuneration Committee

1. A Nomination and Remuneration Committee shall be formed within the Board of Directors, made up of a minimum number of three directors and a maximum of five who must necessarily be independent directors.

To this end, independent directors are understood as those that meet the requirements referred to under the second paragraph of ***article 31.1.***

2. The Chairman of the Nomination and Remuneration Committee shall be appointed by the Board of Directors from among its members.

3. Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Nomination and Remuneration Committee shall have at least the following basic responsibilities:

a) To report on the proposals to appoint directors prior to their appointment by the General Meeting of Shareholders or, where appropriate, by the Board of Directors through the co-option procedure;

b) To report on the appointment of the internal offices (Chairman, Deputy Chairman(s), CEO., Secretary and Deputy Secretary) of the Board of Directors

c) To propose to the Board the members that must form part of each one of the Committees;

d) To draw up and review the criteria that must be followed for the selection of the senior management of the Company and to report on the appointment or removal of the managers reporting directly to the Board of Directors, including the CEO.

e) To report annually to the Board on the assessment of the performance of the senior management of the Company, especially of the CEO and his remuneration;

f) To report on the systems and on the amount of the annual remuneration of directors and senior management and to prepare the information to be included in the annual public information regarding the remuneration of the directors.

4. The Nomination and Remuneration Committee shall meet, ordinarily, once a year, in order to prepare the information on the remunerations of the Directors, that the Board of Directors must approve and include in the public annual documents. Moreover, it shall meet each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever it is thought fit for the successful performance of its functions.

5. The request for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, Directors, senior management or the shareholders of the Company.

The Board of Directors may develop and complete the above-referred rules in its Regulations, pursuant to the provisions of the Articles of Association and of the Law.

Meanwhile, article 15 of the Board of Directors´ Regulations, in the wording approved by the Board in the meeting held on 10th June 2004, sets forth as follows:

Article 15. The Nomination and Remuneration Committee.

1. The Nomination and Remuneration Committee shall be made up of a number of directors being no less than three nor greater than five, and shall be made up necessarily of independent directors. Its Chairman shall be chosen among its members.

2. Without prejudice to other tasks that are assigned to it by the Board, the Nomination and Remuneration Committee shall have the following basic responsibilities, which are:

a) To draw up and check the criteria that must be followed for the composition of the Board of Directors in addition to selecting the candidates;

b) To advise on the proposals for nominations of directors prior to the nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors for the co-optation procedure;

c) To advise on the nomination of the internal offices of (Chairman, Deputy Chairman, CEO, Secretary and Vice-Secretary) of the Board of Directors;

d) To propose to the Board the members that must form part of each one of the Committees;

e) To draw up and check the criteria that must be followed for the selection of the senior management of the Company and to report on the appointment or removal of the managers reporting directly to the Board of Directors;

f) To annually advice the Board on the evaluation of the carrying out of functions of the Chief Executive Officer and on his annual remuneration;

*g) To advise on the systems and on the amount of the annual remuneration of directors and senior management and to draw up the information to be included in the annual public documentation about the remuneration of the directors to which **article 28.3** refers to.*

h) To report to the Board, before it holds its meeting, on those contracts of the personnel that include golden-parachute clauses, for those cases that imply dismissal or changes in control.

i) To advise in relation to the transactions that involve or may involve conflicts of interest, the transactions with related persons or those transactions that imply the use of corporate assets and, in general, about the matters included in Chapter IX of these Regulations.

j) To draw up and keep up to date a contingency plan to fill in the vacancies of key positions within the Company and its Group

3. Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, the members of the Board, management or the shareholders of the Company.

4. The Nomination and Remuneration Committee shall meet each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever is suitable for the successful performance of its functions. In any event, it shall meet once a year to prepare the information about the directors´ remuneration that the Board has to approve and to include in its annual public documentation.

4.1.3 Composition

The Executive Committee of Inditex, S.A., in the meeting held on 27 October 2000, appointed the members of the Nomination and Remuneration Committee, resolving thus its initial composition

Said initial composition was ahead of the provisions subsequently included in the Stock Exchange Act, regarding the requirements that the Committee be formed by a majority of non-executive directors, and that the Chairman be elected amongst said non-executive directors.

Nevertheless, the amendments to the Board of Directors´ Regulations that the Board resolved in its meeting of 20 March 2003 were beyond both the provisions of the Law then in force and the recommendations of the Aldama Report, since the requirement that all members of the Nomination and Remuneration Committee should be independent directors was made an internal regulation. This resolution entailed the necessary modification to the composition of the Committee. To meet this requirement, the only executive director of the Nomination and Remuneration Committee tendered his resignation as a member thereof, and another independent director was appointed as member of this Committee, prior report of the Nomination and Remuneration Committee.

The current composition of the Nomination and Remuneration Committee of inditex is shown below:

Chairman	Carlos Espinosa de los Monteros y Bernaldo de Quirós
Ordinary	Irene Ruth Miller
	Francisco Luzón López
	Juan Manuel Urgoiti López de Ocaña
	José Luis Vázquez Mariño
Secretary (non member):	Antonio Abril Abadín

A brief description of the profile of each of the members of the Committee is given below:

Mr. Carlos Espinosa de los Monteros y Bernaldo de Quirós (63): An independent director since May 1997 and Second Deputy Chairman since September 2005. A graduate in Law and Business Studies from ICADE, he is a Commercial Expert and State Economist and holds an MBA from Northwestern University. He has been the Deputy Chairman of the Instituto Nacional de Industria, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air

Transport Association and Chairman of the Circulo de Empresarios, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he is the Chairman of the Board of Directors of Daimler Chrysler España, of Fraternidad – Muprespa, of González Byass, S.A. and Board member of Acciona, S.A.

Ms. Irene Ruth Miller (55): An independent member of the Board since April 2001. She is a graduate of the University of Toronto with a Bachelor in Science and of Cornell University with a Master of Science in chemistry. She began her career at General Foods Corporation and later worked as an investment banker for Rothschild Inc. and Morgan Stanley & Co. In 1991 she joined Barnes & Noble, Inc. as Senior Vice President of Corporate Finance and in 1993, in advance of its flotation, became Chief Financial Officer. In 1995, she was appointed director and Vice-Chairman of the Board of Directors of Barnes & Noble. At the present time, she is the CEO of Akim, Inc., an American investment and consulting firm, which she joined in 1997. She is also a member of the Boards of Directors of Coach Inc.,(where she is lead director), Barnes & Noble, Inc., and Toronto-Dominion Bank Financial Group.. She previously served on the Boards of Oakley Inc., Benckiser N.V. and The Body Shop International Plc.

Mr. Francisco Luzón López (59): An independent director since February 1997. He is a graduate in Business Studies and Economics from the University of Bilbao, and has been a lecturer at the University of Deusto (Bilbao). He joined the Banco de Vizcaya in 1972, gaining wide experience in that Group in different Units and functions, becoming General Manager and Board member in 1986. In 1988 and after its merger with the Banco de Bilbao, he went on to become a member of the Board of Directors of the Banco Bilbao Vizcaya. At the end of the same year, he was appointed President of the Banco Exterior de España, office which he held from 1988 to 1996. In 1991 he was the impulse behind the creation of the new Grupo Bancario Argentaria of which he was the founder and was Chairman until 1996. After that year, he joined the Banco Santander Central Hispano as Director-General Manager, Deputy to the Chairman and in charge of Strategy, Communication and Institutional Relations. At the present time, he is responsible for the area of Latin America for the aforementioned financial institution. He is the world Deputy Chairman of Universia and Chairman of the Social Board at the University of Castilla-La Mancha.

Mr. Juan Manuel Urgoiti López de Ocaña (67): He has been an independent director since January 1993. He is a graduate in Law from the University of Madrid, beginning his career in the Banco de Vizcaya in 1962. After holding various executive positions, he was appointed General Manager in 1978, director in 1984 and CEO in 1986. In 1988, after its merger with the Banco Bilbao he was appointed CEO of the Banco Bilbao Vizcaya. He has been President of Ahorrobank, Banco de Crédito Canario, Banco Occidental, Instituto de Biología y Sueroterapia and Laboratorios Delagrange and Board member of Antibióticos, S.A. At the present time he is the Chairman of the Banco Gallego, Deputy Chairman of Acciona, S.A., member of the Board of Necso, S.A., and member of the European Advisory Board of Citigroup. He is Chairman of the Board of Trustees of the Reina Sofia National Museum and Art Centre and a member of the Board of Trustees of the Prado Museum. He is President of the private foundation Fundación José Antonio de Castro and is a member of other foundations and institutions. He holds the Gran Cruz de Mérito Civil and has been awarded the honour of Commander of the Order of the British Empire. (C.B.E.).

Mr. José Luis Vázquez Mariño (62): An independent Director since March 2005. A Commerce professor, he holds a B.Sc in Economic and Business Studies and is a certified public accountant. He has spent his professional career at Arthur Andersen where he was in charge of the Financial and Human Resources divisions worldwide and was made Area Managing Partner for Latin America. AT the present time, he is member of the Boards of Directors of Banco Pastor and La Voz de Galicia, S.A.

All members of the Nomination and Remuneration Committee are independent directors.

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4.2 Activities of the Nomination and Remuneration Committee

4.2.1 Sessions held and business transacted

The sessions held by the Nomination and Remuneration Committee throughout FY2006 and the main business transacted are shown below:

DATE OF SESSION	AGENDA
03/27/2006	- Appointment of the new Chief Financial Officer.
06/12/2006	- Stock ownership plan addressed to members of the management team, including executive directors and other key employees of the Inditex Group and subsequent award of shares to its beneficiaries (art. 15.2.g) B.D.R.) - Report on the appointment and re-election of directors (Ms. Irene Ruth Miller) (art 15.2.b) B.D.R.) - Report on the remuneration of the members of the Board of Directors. -Annual Activities Report of the Nomination and Remuneration Committee
12/11/2006	- Report on the proposed co-option of a new member (GARTLER, S.L.) to the Board of Directors (art. 15.2.b) B.D.R.) -Report on policies of the HHRR department submitted by the HHRR General Director

4.2.2 Lines of action

As for the lines of action of the Audit and Control Committee during FY2006, they have revolved around the following aspects:

Appointment of members and officers to the Board of Directors

In compliance with the provisions of the Board of Directors´ Regulations, the Committee reviewed and issued the pertaining reports on the appointment, re-election and ratification of directors, as well as on the appointment of internal offices of the Board of Directors.

With this respect, the Committee held on 11 December 2006, gave a favourable report to the appointment of Gartler, S.L., one of the two beneficiary companies resulting from the spin-off of the former Gartler, S.L., as new Ordinary member of the Board of Directors to fill out the vacancy occurred as a result of the cessation of the legal personality of the former Gartler, S.L. further to the final registration of its spin-off.

Likewise, the Nomination and Remuneration Committee, in its sessions held on 12 June 2006, gave a favourable report to the proposal to be submitted by the Board of Directors to the Annual General Meeting of Shareholders, on the re-election of Ms. Irene R. Miller, an independent director.

Stock Ownership Plan

In the session held on 12 June 2006 by the Nomination and Remuneration Committee, said body gave a favourable report to the "Terms and Conditions of the Stock Ownership Plan", pursuant to the provisions of the Board of Directors´ Regulations, as regards the initiative of the Board to submit to the Annual General Meeting of Shareholders the approval of said Stock Ownership Plan addressed to members of the management team and other key employees of the Inditex Group.

Remuneration of the members of the Board of Directors

In the session held on 12 June 2006, the Nomination and Remuneration Committee gave a favourable report to the proposal regarding the remuneration of the members of the Board of Directors, to be submitted to the Annual General Meeting of Shareholders by the Board.

4.3 Main relationships of the Nomination and Remuneration Committee

4.3.1 With the Board of Directors

At the beginning of each session of the Board of Directors, the Chairman of the Nomination and Remuneration Committee informs of the main business transacted in the last meeting of the Committee.

4.3.2 With the Chief Executive Officer and the Senior Management

The Committee encourages the appearance in its sessions of the First Deputy Chairman and the Second Deputy Chairman, and of the senior managers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent, so that the Nomination and Remuneration Committee may have a direct knowledge of the situation of business.

4.3.3 With the Human Resources Department

In order to keep the Nomination and Remuneration Committee duly informed, the Human Resources Division regularly informs the Committee on the changes, if any, in the global remuneration systems, the market researches on the pay of Senior Management, the annual pay adjustments and the review of the adjustment guidelines for each country, a summary of the annual adjustments carried out and the global programs for the detection and development of potential in the matter of personnel, and succession plans.


INDITE


X

SOCIAL AND ENVIRONMENTAL PERFORMANCE

Spring-Summer campaign_Zara Home

01

Social Report

01

Corporate Social **Responsibility** (CSR) at **Inditex** is **conceived** as **one** of **the** **priority** and strategic tasks **of** the Group. **It** involves **interpreting** the company **in** **terms of** the **human beings** who **make** it up, **with** their **successes** and **errors** **identified**, so as to **reinforce** the former **and** correct **the** **latter**. As a living **organism**, **the** specialist **CSR** team analyses their **DNA** **permanently**.

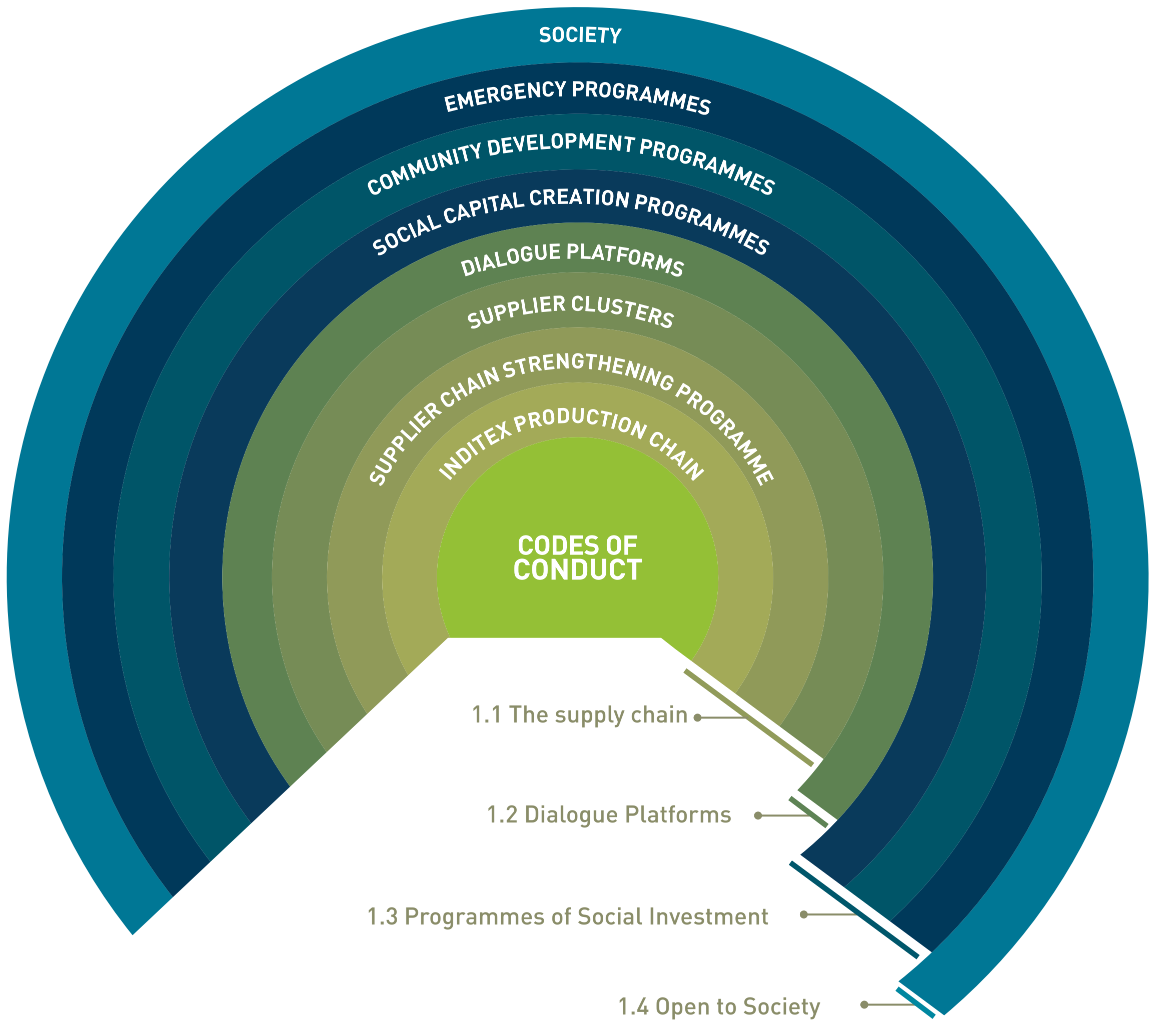
The model of Corporate Social Responsibility of Inditex

Lead by the Inditex Board of Directors, after the approval of the Codes of Internal Conduct and that of Manufacturers and External Workshops in 2001, the Model of Corporate Social Responsibility was articulated through the following principles:

• All the operations of Inditex take place under an ethical and responsible prism.

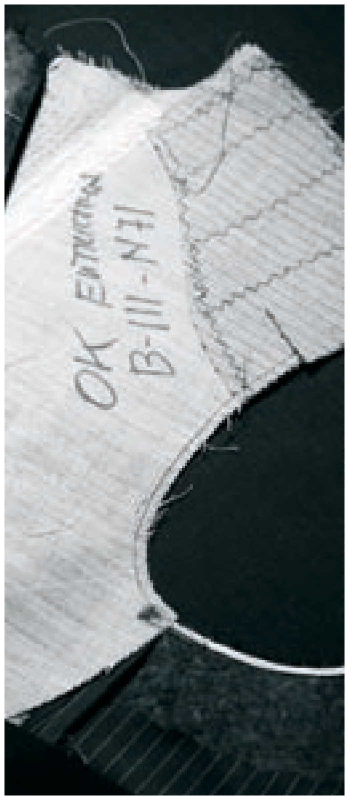
• All the persons who have, directly or indirectly, any employment, economic, social or industrial relationship with Inditex receive fair and worthy treatment.

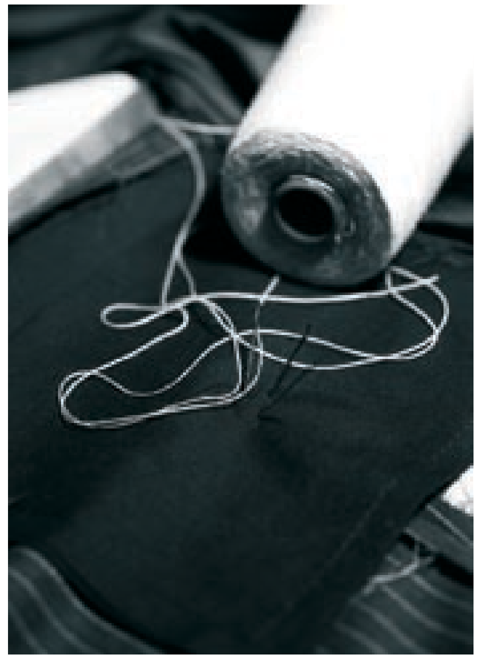
• All the activities of Inditex are carried out in harmony with the environment.



1.1 The Supply Chain

Inditex has a wide network of external suppliers around the world, who act as business partners and contribute to the organisation's growth. Inditex designs, develops and supervises programmes of support for this collective and demands the fulfilment of the Code of Conduct for Manufacturers and External Workshops by all members of the chain of production. The programmes for strengthening the chain of production are aimed directly at the factories and workshops, their employees and the communities in which they live with their families.





1.1.1 Introduction to the supply chain of Inditex

The approval of the Inditex Code of Conduct for Manufacturers and External Workshops, in February 2001, has given us the opportunity to face up to a new challenge which has transformed itself into an excellent opportunity for business growth and humanising innovation.

A challenge which, definitively, has involved: (1) developing an exercise of business prudence which is capable of generating confidence among the main "interest groups" affected by the conduct of our activities of production, distribution and marketing in very complex social and employment scenarios; (2) building a business vision which is capable of generating global citizenship; and (3) adapting our business model to the complex demands of the current process of globalisation, having recourse to ethics based on the principles of the main conventions of the United Nations and the International Labour Organisation.

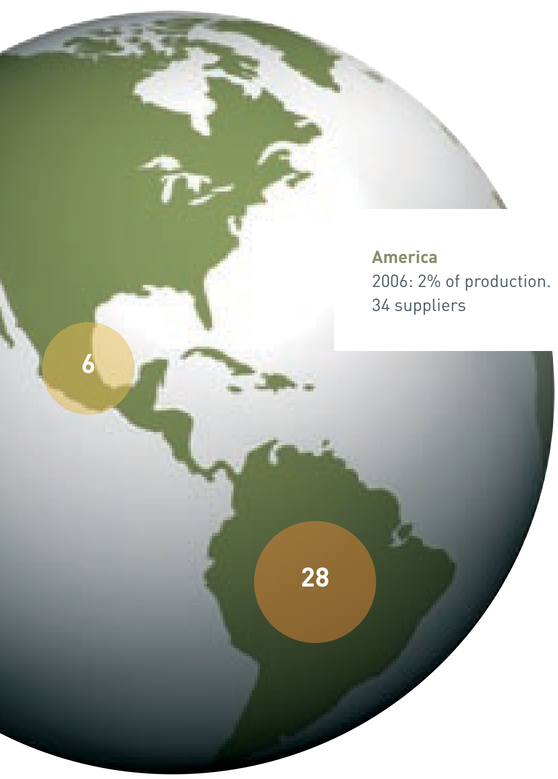
On the attached map, the geographical location is given of the factories which made up the front line of the Inditex production chain on 31st January 2007.

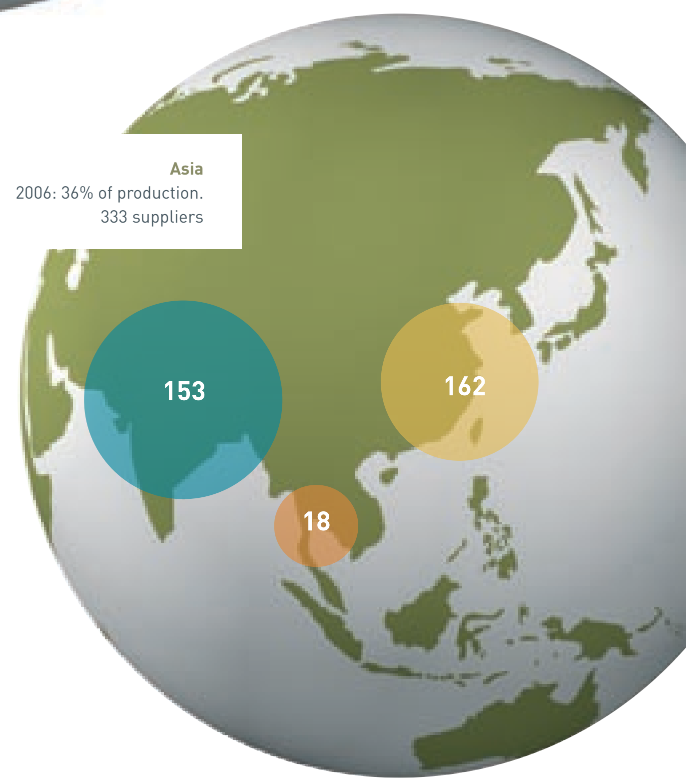
Inditex supply chain

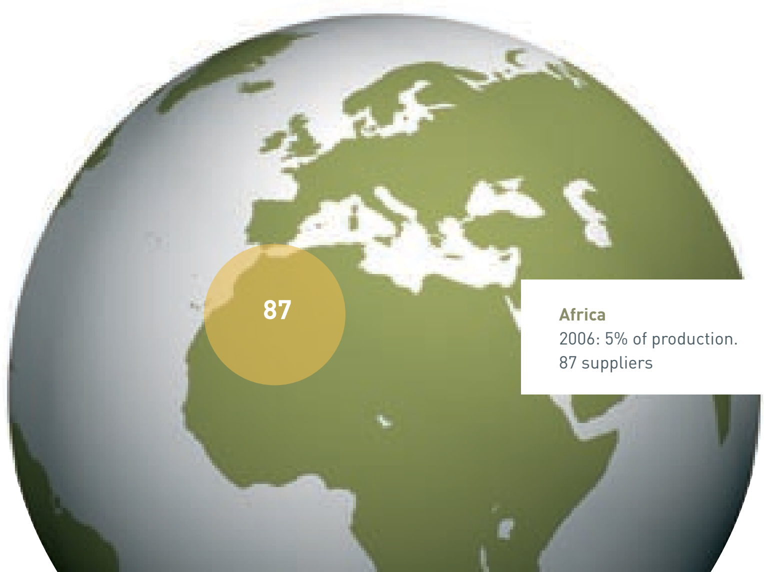
Objectives 2006-2007	Percentage of the objective achieved		Objectives 2007-2008
Concentrating the number of Manufacturers and External Workshops	Objective: 1.300 Result achieved: 1.260	103%	Continuing the process of concentration of Manufacturers and External Workshops in five geographical scenarios: • Morocco • Turkey • India • Bangladesh • China
Increasing the number of units manufactured per workshop	Objective: 15% Result achieved: 32%	213%	Increasing the number of units manufactured per workshop (20%)
Evaluating the "rating" of those factories at which at least 75% of the production (in units) is concentrated	Objective: 75% Result achieved: 97%	129%	Evaluating the "rating" of those factories at which at least 95% of the production (in units) is concentrated
Carrying out 300 "Monitoring Audits" to verify the correct conduct and application of the "Corrective Action Plans"	Objective: 300 Result achieved: 352	85%(*)	Carrying out at least 237 "Monitoring Audits" to verify the correct conduct and implantation of the "Corrective Action Plans"

(*) By taking in account the process detailed in page 317, the targeted objective is 117%.

Number of direct suppliers and percentage of units produced per geographical area







1.1.2 Programmes for Strengthening the Production Chain

Introduction

The Programmes for strengthening the production chain are projects of social investment designed to implant the Code of Conduct for Manufacturers and External Workshops and, subsequently, for verifying the degree of fulfilment by independent auditors in accordance with international standards.

Scope:
Manufacturers and External Workshops.

Countries:
Spain, Portugal, Italy, Romania, Bulgaria, Turkey, Morocco, Tunisia, Pakistan, India, Bangladesh, Cambodia, Laos, Vietnam, China, South Korea, Mexico, Colombia, Venezuela, Peru, Brazil and Argentina, mainly.

Methodology:
Inditex's own, SA 8000 and Directive 62 of ISO/IEC, mainly.

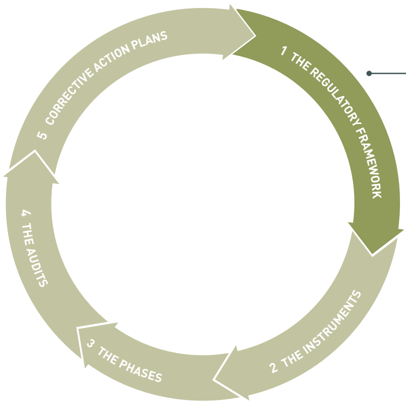
Auditors:
• External and accredited by SAI: Intertek (global).

• External and not accredited by SAI: ILoper S.L. (Spain), TNG Soluciones (Morocco), PricewaterhouseCoopers (Portugal) and KPMG (Portugal and Spain).

The corporate audits have been designed as evaluation processes of economic, social and environmental dimensions of the factories of the suppliers who make up the Inditex production chain.

The importance of these processes of evaluation and auditing resides in the fact that: (1) they boost mechanisms of dialogue which make it possible to resolve pro-actively the main breaches of the Code of Conduct for Manufacturers and External Workshops; (2) they delimit with clarity the responsibilities of all the parties involved; and (3) they set down in a consensual and explicit manner the deadlines for finding a solution to the main breaches of the Code of Conduct for Manufacturers and External Workshops.

1 THE REGULATORY FRAMEWORK
2 THE INSTRUMENTS
3 THE PHASES
4 THE AUDITS
5 THE CORRECTIVE ACTION PLANS
• All the operations of Inditex take place under an ethical and responsible prism.
• All the persons who have, directly or indirectly, any employment, economic, social or industrial relationship with Inditex receive fair and worthy treatment.
• All the activities of Inditex are carried out in the most respectful way with the environment.



√ Agreements of the OIT and United Nations
√ The 10 Principles of Global Compact
√ Base Code of Ethical Trading Initiative
√ Code of Conduct for Manufacturers and External Workshops
√ Other applicable standards

1. The regulatory framework

The Principles on which the process of social auditing is articulated are based on:

• The local and sector regulations in force in those countries in which Inditex carries on its production activities.

• The Agreements of the International Labour Organisation (hereinafter, ILO) and of the United Nations, in the absence of local and sector regulations and/or when there is not a greater demand.

• The 10 Principles of the Global Compact.

• The Base Code of the Ethical Trading Initiative.

• The Code of Conduct for Manufacturers and External Workshops of Inditex.

• Other applicable standards.

The Agreements of the ILO and the United Nations

1. Freedom of Association and the Right to Collective Negotiation. With special attention to the Conventions 87, 98 and 135 of the ILO.

2. Prohibition of Discrimination on the basis of gender, age, religion, race, social background, disability, country, trade union and political affiliation, and sexual orientation. With special attention to Conventions 100 and 111 of the ILO.

3. Right to Receive Fair Remuneration for the work carried out. With special attention to Conventions 26 and 131 of the ILO.

4. Working hours. With special attention to Conventions 1 and 14 of the ILO.

5. Health and Safety at work. With special attention to Convention 155 and Recommendation 164 of the ILO.

6. Prohibition of Children Working. With special attention to the Conventions 79, 138,142 and 182 of the ILO.

7. Prohibition of Forced Labour. With special attention to Conventions 29 and 105 of the ILO.

8. Fulfilment of the Local Legislation and, in the absence of local legislation, of the international legislation in force relating to environmental aspects and those concerning safety at work.

The 10 Principles of the Global Compact of the United Nations

Launched in 1999 by the then Secretary General of the UN, Kofi Annan.

It is articulated in the following ten points:

• Protection for Human Rights.
• Not being an accomplice to abuse of human rights.
• Supporting freedom of association and the right to collective bargaining.
• Eliminating forced and compulsory labor.

- Abolishing all forms of children's work.
- Eliminating discrimination regarding employment and occupations.
- Supporting the preventive focus vis-à-vis environmental challenges.
- Promoting greater environmental responsibility.
- Encouraging the development and diffusion of technologies that environmentally friendly.
- Acting against corruption in all its forms, including extortion and bribery.

Base Code of Ethical Trading Initiative

Approved in 1998 by representatives of the textile industry, trade unions and organisations from international civil society.

It is articulated in the following nine principles:

- Employment will be chosen freely.
- Freedom of association and the right to collective bargaining will be respected.
- Working conditions will be safe and hygienic.
- Children's labour will not be used.
- A decent salary will be paid.
- Working hours will not be excessive.
- There will be no discrimination.
- A regular job will be provided.
- Inhuman or severe treatment will not be permitted.

Code of Conduct for Manufacturers and External Workshops

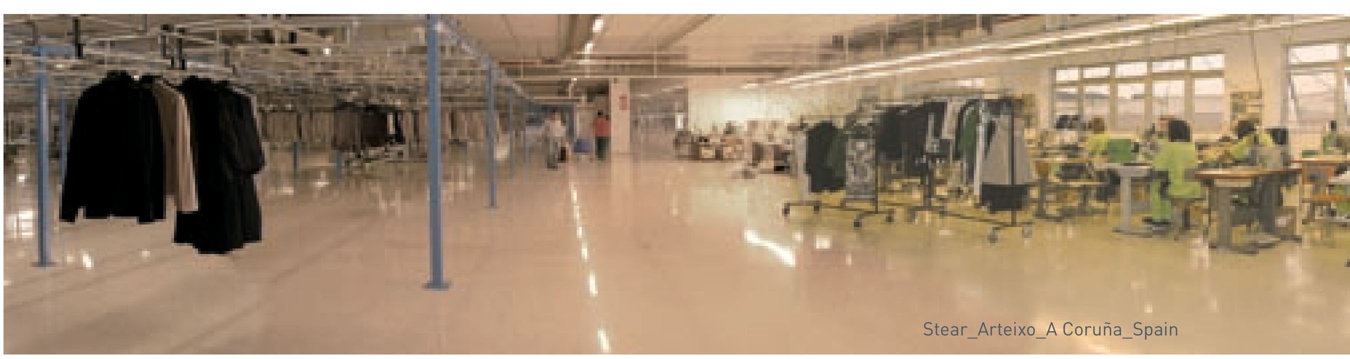
Approved in 2001 by the Board of Directors of Inditex.

It regulates the following subjects:

- Abolition of child labour.
- No discrimination.
- Freedom of association.
- Prohibition of harassment and abuse.
- Health and safety.
- Remuneration policy.
- Environment.
- Subcontracting policy.
- Other applicable laws.
- Supervision and fulfilment.
- Publication of the Code.

Other applicable standards.

The methodology developed by Inditex includes other aspects such as: (1) Directive 62 of ISO/IEC, and (2) the methodologies of standardisation of factories in the matter of Human Rights and Fundamental Employment Rights developed by Social Accountability International (SAI)



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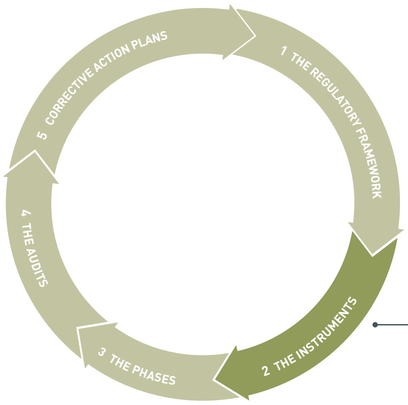


- √ Pre-Assessment
- √ Company Profile
- √ Social Audit Programme
- √ Corrective Action Plan Audit Report
- √ Corporate DNA

2. The instruments

Pre-Assessment

Pre-Assessment is a procedure of "on-line" standardisation designed for those suppliers who wish to take part for the first time of the Inditex chain of production.

It has been designed by the Compliance team and professionals from the Departments of Corporate Social Responsibility and Purchasing from Zara, respectively.

This procedure assigns each potential supplier a "rating" provisionally, prior to the conduct of the corresponding social, quality, health and safety audits on the product.

Finally, the "rating" is obtained as a result of the evaluation of the information that the supplier gives corresponding to the following areas:

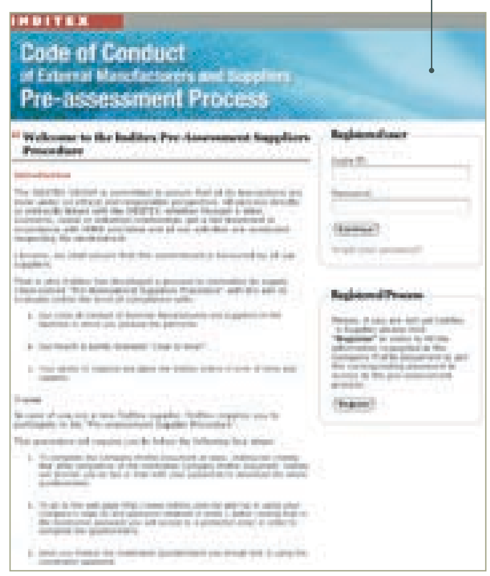
- Production capacity.
- Quality, health and safety of the product.
- Fulfilment of the Codes of Conduct for Manufacturers and External Workshops of Inditex, Base Code of ETI and, finally, the ten Principles of Global Compact.

Phase I

The "candidate" is "invited" to participate in the process of pre-selection by the purchaser to whom he offers raw materials, dressmaking, finished product and/or shoes and accessories.

Persons responsible:

- Inditex purchaser.
- "Candidate"



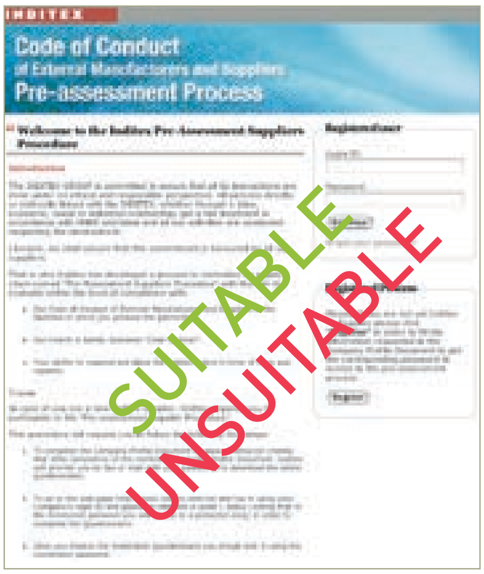
Phase II

The "Candidate" fills in the following information relating to its centres of production or subcontractors: (1) production capacity, (2) quality, (3) health and safety of the product and (4) fulfilment of the Codes.

Person responsible:

- "Candidate"

Phase III



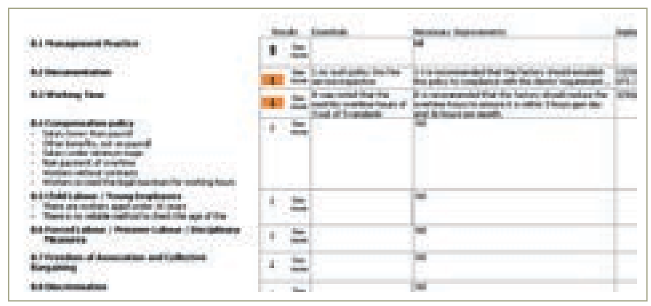
"Pre-rating on-line" of the "Candidate".

Persons responsible:

- Inditex purchaser.
- RSC Department.

Phase V

Conduct of the social, quality, health and product safety audits.

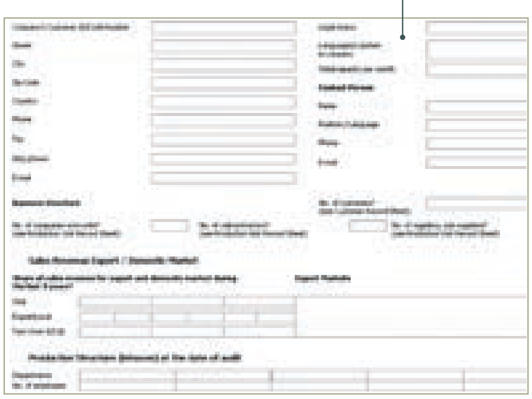


Persons responsible:

- RSC Department.
- External auditors.

Phase IV

Based on the results of Phase III above, the purchaser evaluates the beginning of the process of standardisation as a "potential supplier" of Inditex.



Person responsible:

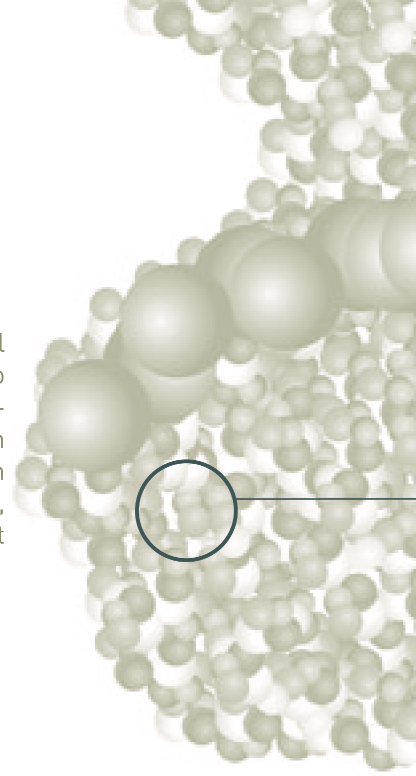
- Inditex purchaser.

Phase VI.

Evaluation of the results of the audits and, as a function thereof, definitive inclusion of the "Candidate" in the portfolio of standardised suppliers of Inditex (Corporate DNA).

Person responsible:

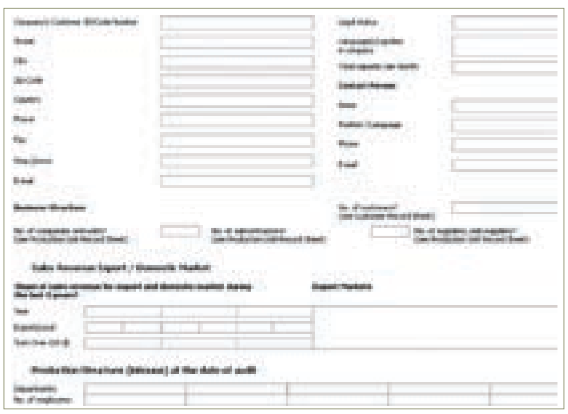
- Inditex purchaser.



The structure and operation of the biological concept of DNA is used as a reference to understand and analyse the model of inter-relationship of Inditex with the agents in the chain of production - purchasers from each chain, purchasing offices, suppliers, workshops and CSR Department

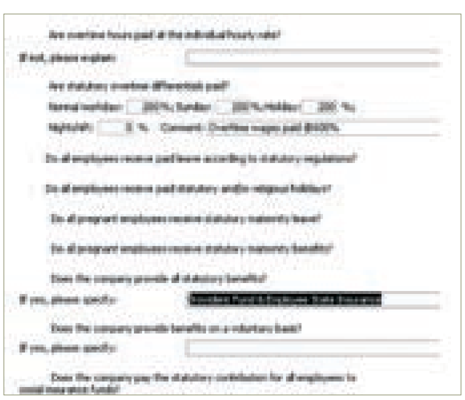
Company Profile

The Company Profile is a document which is filled in at the beginning of a social audit and in which the following information is recorded, which is necessary for planning the "fieldwork" of the social audit: (1) company name and address (2) number of employees (3) organisational structure and (4) number of subcontractors, a key aspect for a proper control of the chain of production.



Social Audit Programme

The Social Audit Programme is made up of the substantive and fulfilment tests which have been designed to verify the degree of fulfilment of the Codes of Conduct in the installations of a certain Manufacturer and/or External Workshop of Inditex.



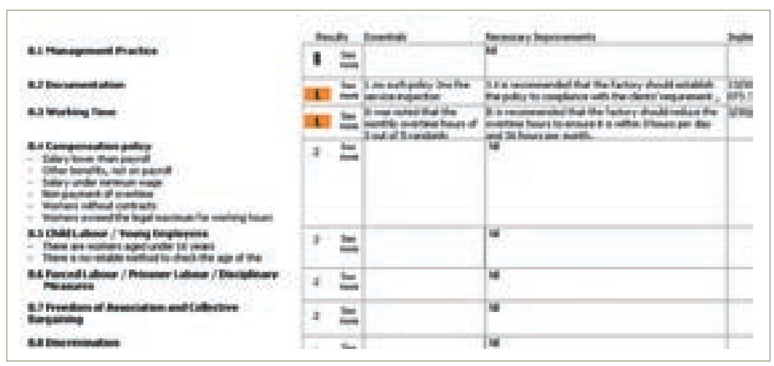
Corrective Action Plan Audit Report

The Corrective Action Plan Audit Report is the document in which the social auditor summarises the conclusions obtained in the social audit and in which, among other aspects, the following are detailed:

- The main breaches of the above-mentioned Code.

- The Corrective Action Plan designed and agreed by both parties - the social auditor and the head of the Workshop – to correct the breaches detected.

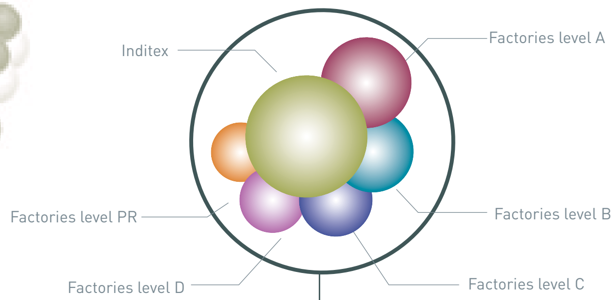
- The deadlines for correction.

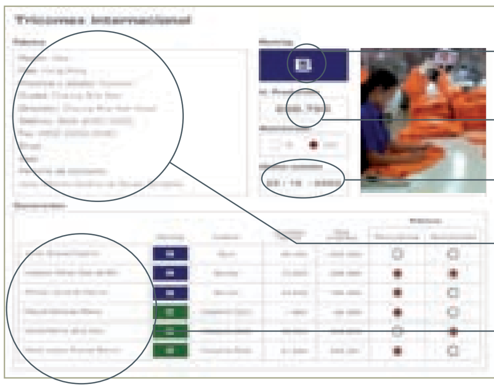


Corporate DNA

Corporate DNA has been developed jointly by the Compliance teams with Professionals from the Departments of RSC and Purchasing, respectively, to assign a risk "rating" (A, B, C and D) to:

- **Suppliers,** as a function of the degree of fulfilment of the Code of Conduct for Manufacturers and External Workshops, measured from the results which are derived from the social audits carried out, both on them and on the subcontractors who depend on them.





(*)

“Rating” of the Supplier , calculated from the breaches of the Code of Conduct which have been detected in the social audit.

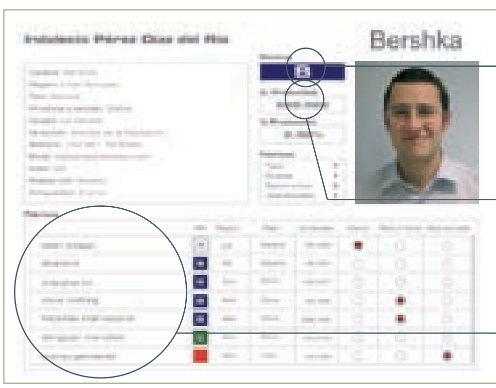
Units produced/marketed in 2006/2007.

Date of the **most recent social audit.**

Company details of the supplier.

List of salespersons with whom the supplier maintains relations of manufacture/marketing.

- **Inditex** purchasers, calculated from the weighted arithmetical average of risk of each one of the manufacturers/subcontractors/traders who make up the “portfolio” of suppliers.



(*)

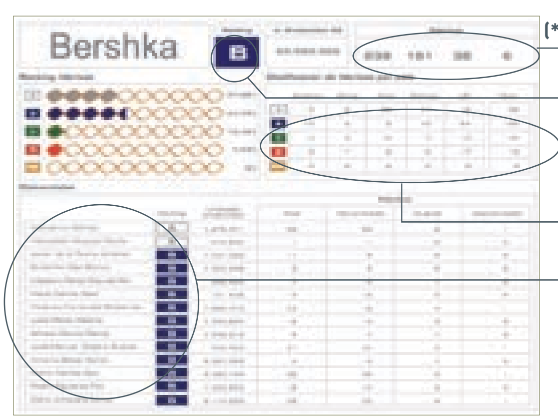
“Rating” of the purchaser calculated from the following weighted arithmetical average:

$$\sum_{i=1}^{n} = \frac{\text{“}\textit{Rating}\text{ Taller}_i \text{ x uds. fabricadas}_i\text{”}}{\text{“nº total de uds. fabricadas”}}$$

Volume of sales managed by the purchaser in 2006-2007.

Individualised “Portfolio” per factory in which the individual “rating”, number of units manufactured and the country are detailed.

- **The eight formats** of which Inditex is made up, calculated from the weighted arithmetical average of the individual risk of each one of the professionals who make up the purchasing team of a particular brand/format of Inditex.



(*)

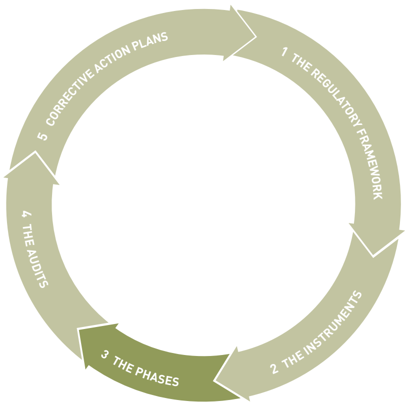
Number of factories: Total, Recurrent, New and Abandoned.

“Rating” of the chain from the weighted arithmetical average of the individual risk of each one of its purchasers.

Number of factories per country and **geographical risk** accepted.

List of purchasers of the chain, indicating their “rating” of individual risk and the number of units manufactured.

(*) Imagined image. Unreal figures. Used only to illustrate the corresponding explanation.

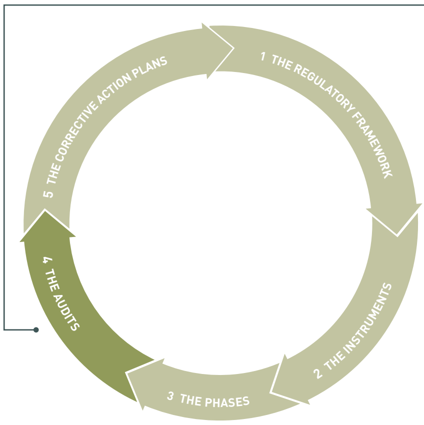


√ Phase I: Sensitisation of suppliers
√ Phase II: Self-assessment
√ Phase III: Social Audit.
√ Phase IV: Monitoring Audit
√ Phase V: Evaluation

3. The phases

Phases of the process	Denomination	Objectives
Phase I	Sensitisation of suppliers	• Presenting to potential Inditex suppliers the Code of Conduct for Manufacturers and External Workshops and the scope of the process of Social Audits.
Phase II	Self-assessment	• Self-diagnosis to be carried out by the potential Inditex supplier to be evaluated: - The degree of fulfilment of the Code of Conduct for External Manufacturers and Workshops. - The capacity of response in quantity and quality of product and, at the same time, the periods of time for the execution of manufacturing orders. - The degree of fulfilment of the Health and Safety Standards of Inditex Products.
Phase III	Social Audit	• Evaluation to be carried out by the external social auditors which comprises: - An evaluation of the degree of fulfilment of the Code of Conduct for Manufacturers and External Workshops in all the installations, direct and indirect, in which any of the phases of the manufacturing process take place. - A report on the Social Audit in which the following are given: + The main breaches detected in the course of the Audit. + The deadlines and actions for their proper correction. - The evaluation and "Rating" of the supplier.
Phase IV	Monitoring Audit	• Verify the execution of the actions and periods of time agreed to correct the breaches of Code of Conduct for External Manufacturers, detected in Phase III above.
Phase V	Evaluation	• Evaluate the correct execution of the "Corrective Action Plans" to decide the continuity or the cancellation of the commercial/ manufacturing relationships with the supplier. • Registration, if applicable, of the potential supplier in the Corporate DNA.

Instruments	Persons responsible:
• Working groups. • *Clusters.*	• RSC Compliance Department.
• Pre-Assessment. • Company Profile. • Corporate DNA.	• Head of the External Workshop.
• Social Audit Programme. • Correction Action Plan Audit Report (CAPAR) • Corporate DNA.	• External Social Auditor. • RSC Compliance Department.
• Monitoring Audit Report. • Corporate DNA.	• Head of the External Workshop. • External Social Auditor. • Commercial Department. • RSC Compliance Department.
• Corporate DNA. • DNA Report individualised by: - Purchaser. - Chain. - Consolidated Cluster. - Consolidated Group.	• RSC Compliance Department. • Commercial Department.



√ Phase I: Selection of auditors and audits carried out by geographical area.
√ Phase II: Inventory of Manufacturers and External Workshops.
√ Phase III: Monitoring Audits carried out in 2006.
√ Phase IV: Monitoring Audits to be carried out in 2007.

4. The audits

Phase I. Selection of auditors and audits carried out by geographical area

Details of the social audits carried out by an external social auditor and region, on 31st January 2007:

	EU	Asia	Non-EU Europe	America	Africa	Total
Social auditors	Intertek Iloper Auditores, S.L. Pricewaterhouse Coopers KPMG	Intertek	Intertek	Intertek	Intertek TNG Soluciones	
External workshops audited						
Social auditors (phase III)	246	544	72	67	62	**991**
Monitoring audits (phase IV)	102	171	12	-	67	**352**
Total audits	**348**	**715**	**84**	**67**	**129**	**1,343**

Phase II Inventory of Manufacturers and External Workshops

	EU	Asia	Non-EU Europe	America	Africa	Total
Production in 2005 (% of units)	46%	33%	13%	4%	4%	**100%**
Number of external workshops audited 2005 (phase III)	406	427	106	60	61	**1,060**
Number of external workshops abandoned for breaches 2005 (phase V)	170	120	13	14	22	**339**
Production in 2006 (% of units)	42%	36%	15%	2%	5%	100%
Number of external workshops active (*) 31-1-2006	833	449	133	48	99	1,562
Number of external workshops audited 2006 (phase III)	246	544	72	67	62	991
Number of external workshops abandoned for breaches 2006 (*)	131	116	29	14	12	302
Number of external workshops active (*) 31-1-2007	702	333	104	34	87	1,260
Number of monitoring audits (phase IV) carried out in 2006	102	171	12	-	67	352

(*) Front line of the chain of production

Phase III Monitoring Audits carried out in 2006

Details of the Monitoring Audits carried out in 2006 in accordance with the provisions of Phase IV of the Social Auditing Process at Inditex:

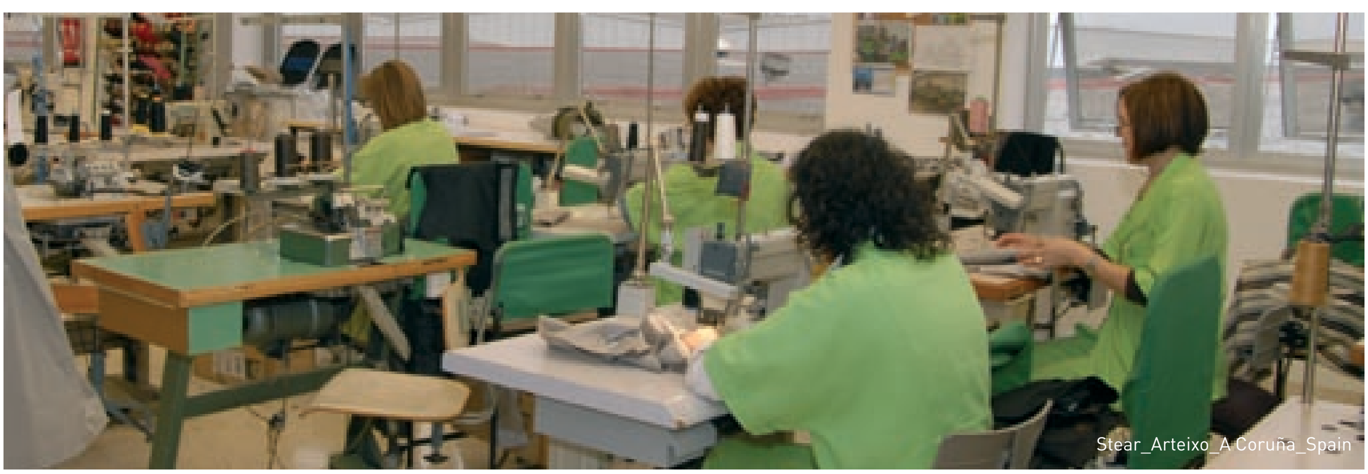
	EU	Asia	Non-EU Europe	America	Africa	Total
Total monitoring audits planned in 2006 (*).	**155**	**182**	**24**	**7**	**44**	**412**
Change of evaluation criterion for external workshops	-65	-40	-12	-7	-11	-135
Monitoring Audits (new and recurrent)	12	29	-	-	34	75
Total monitoring audits carried out in 2006.	**102**	**171**	**12**	**-**	**67**	**352**

(*) See report on Social and Environmental Performance Inditex 2005

Phase IV Monitoring Audits planned in 2007

Details of the minimal numbers of Monitoring Audits to be carried out in 2007.

	EU	Asia	Non-EU Europe	America	Africa	Total
Monitoring audits (Phase IV)	**49**	**124**	**15**	**1**	**48**	**237**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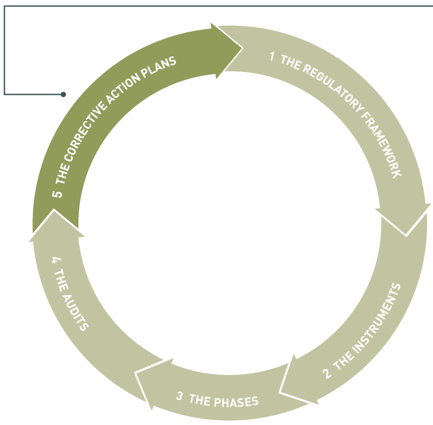


- √ Phase I: Details of the impact of the Monitoring Audits by geographical area 2006-2007.
- √ Phase II: Cancellation of manufacturing relationships with suppliers
- √ Phase III: Results of Audits according to Corporate DNA

5. Corrective Action Plans

The proper development of the "Corrective Action Plans" constitutes an "exercise of co-responsibility", in which Inditex and the heads of the production centres which make up its chain of suppliers undertake to develop responsible working environments committed to the main Conventions of the ILO and the United Nations.

For this reason, the "Corrective Action Plans", contemplated in Phase V of the Social Auditing Process, set down that, depending on the nature and the gravity of the breaches detected in the course of an Audit, the Monitoring Audits will be carried out subsequently to verify that they have been properly corrected.

The improvements which have been derived in 2006-2007 from the start up of the "Corrective Action Plans" designed to correct the breaches detected in the First Audits (Phase III), are summarised in the following table:

Phase I: Details of the impact of the Monitoring Audits by geographical area 2006-2007 (*).

	EU	Asia	Non-EU Europe	America	Africa
	Variation 06-07	Variation 06-07	Variation 06-07	Variation 06-07	Variation 06-07
Child labour	-1%	-2%	0%	0%	-8%
Salary below the legal minimum:	-12%	-8%	-24%	0%	-13%
Undeclared retribution	1%	1%	0%	-20%	-2%
Salary not in agreement	-19%	-6%	-6%	-20%	23%
Overtime is not remunerated	-24%	-6%	4%	-20%	30%
Lack of documentation	-5%	-12%	1%	0%	-2%
No contract	-3%	-18%	9%	-20%	-16%
No weekly rest	-4%	-1%	-7%	0%	-6%
No evacuation	-22%	-10%	-13%	-27%	-6%
No medical checks	-8%	-7%	-20%	-40%	-9%
No environmental and/or health conditions	-7%	-4%	1%	-40%	-6%
No training	-19%	-12%	-9%	-47%	-14%
No protection	-39%	-14%	-15%	-20%	-23%
No extinguishers:	-4%	-11%	-20%	-7%	-8%
No plan for wastes	-37%	1%	-13%	0%	-5%
No environmental policy	-17%	-2%	-25%	60%	-5%
No association	-2%	-2%	-13%	0%	-8%
Subcontracting not authorised	-7%	-8%	-9%	-40%	-9%
Abuse	-1%	0%	0%	0%	0%
Other breaches of local legislation	7%	-10%	-24%	0%	5%
Discrimination	1%	-1%	0%	0%	0%
No information supplied	-27%	-5%	1%	0%	-3%

(*) Variation in absolute figures of percentages for two consecutive years.

Phase II Cancellation of manufacturing relationships with suppliers

Details of the number of Manufacturers and External Workshops whose manufacturing/ marketing relationships have been cancelled as a consequence of Phase V of the Programme of Social Auditing of Inditex:

	EU	Asia	Non-EU Europe	America	Africa	Total
Number of external workshops abandoned for breaches and for commercial reasons in 2006	131	116	29	14	12	302

Criteria

Child labour:
The existence of child labour or the impossibility of verifying the age of the workers.

Salary below the legal minimum:
The salary received is lower than the minimum set down by the employment legislation in force.

Undeclared retribution:
Remuneration paid to the worker not declared to the corresponding tax institutions and social security.

Salary not compliant:
The salary received is lower than the minimum wage or collective agreement.

Overtime is not remunerated:
Overtime paid/ not paid below the minimum rate set down by the local legislations in force/ collective agreement.

Lack of documentation:
Workers without formal employment documents and/or residency.

No contract:
Workers without formal employment contracts.

No weekly rest
There are workers who have not enjoyed the period of holidays set down in the legislation in force.

No evacuation:
Non-existence of proper routes of evacuation and emergency.

No medical checks:
The medical checks set down in the local legislation in force are not carried out.

No information supplied:
Does not permit the conduct of a social audit and/or of some particular aspect which makes it possible to conclude the "fieldwork".

No training:
The workers are not trained in matters related with health and safety in the workplace.

No protection:
Lack of proper protective equipment.

No extinguishers:
Non-existence and/or lack of accessibility to, or inoperation of extinguishers in the facilities.

No plan for wastes:
Non-existence of plan for collection and/or treatment for wastes.

No environmental policy:
Non-existence of environmental policy.

No right of association:
The rights of association and of collective negotiation are not respected for the factory workers.

Unauthorised subcontracting:
Subcontracting of phases of the production process without the express authorisation of Inditex.

Abuse:
Apparent situations of harassment and abuse detected in the course of a Social Audit.

Discrimination:
Apparent situations of discrimination detected in the course of a Social Audit.

Environmental and/or health conditions:
Existence of inappropriate environmental and/or safety conditions in the facilities.

Other breaches:
Breaches of the local legislation not explicitly contemplated in the Code of Conduct for Manufacturers and External Workshops of Inditex.

Phase III Result of Audits according to Corporate DNA (*)

Details of the evaluation/ rating of the workshops making up the chain of productioon of Inditex and the "D" workshops subject to social monitoring audits in accordance with the provisions of Phase IV of the Social Auditing Process.

Rating of suppliers	EU	Asia	Non-EU Europe	America	Africa	Total
A	330	76	35	22	19	482
B	185	50	30	4	11	280
C	28	25	3	0	0	56
D	49	124	15	1	48	237
Workshops without assigned rating due (**)	110	58	21	7	9	205
Total	**702**	**333**	**104**	**34**	**87**	**1,260**

(*) Data of the number of Manufacturers and External Workshops active on 01/31/2007 on the front line of the chain of production.
(**) Circumstance due to:
[1] Small number of units manufactured and
[2] Limited recurrence in manufacturing relationships

Stear factory_Arteixo_A Coruña_Spain.

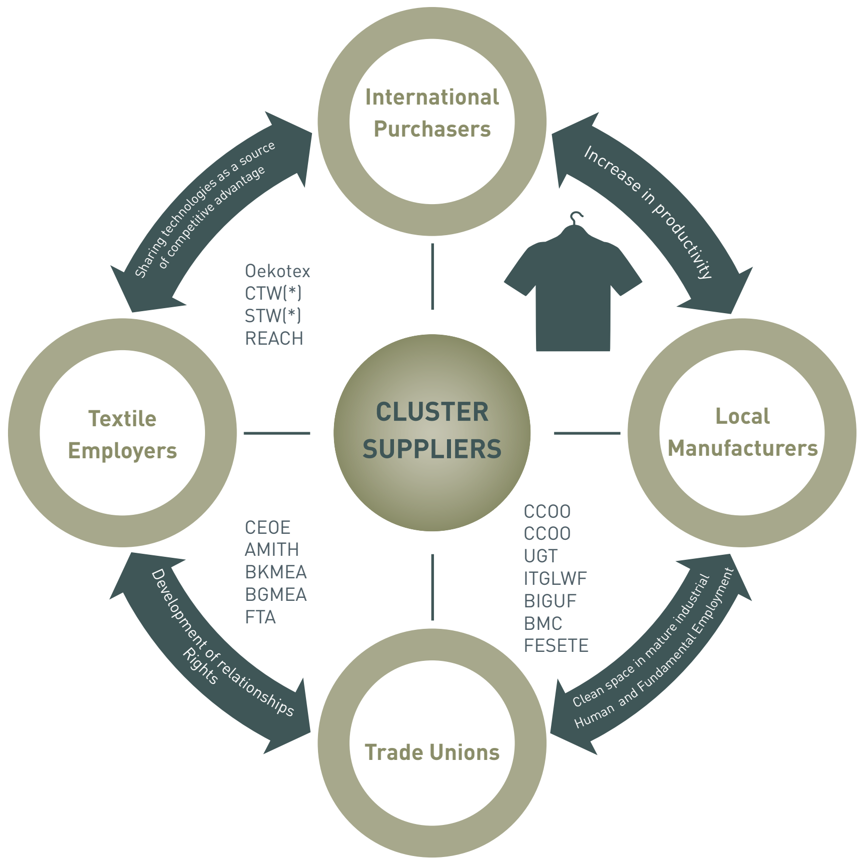
1.1.3. Clusters of suppliers

Developing a business model in a global and complex environment involves: (1) understanding that the Society around us is a network made up of inter-dependent organisations and (2) orienting the business strategy from an ethical, political and cultural perspective which develops stable and lasting relationships based on trust with each of our "interest groups".

Only in this way will we be able to understand and measure the richness of the relationships - business, public, state and non-governmental - which habitually develop close to our chain of production.

What are they

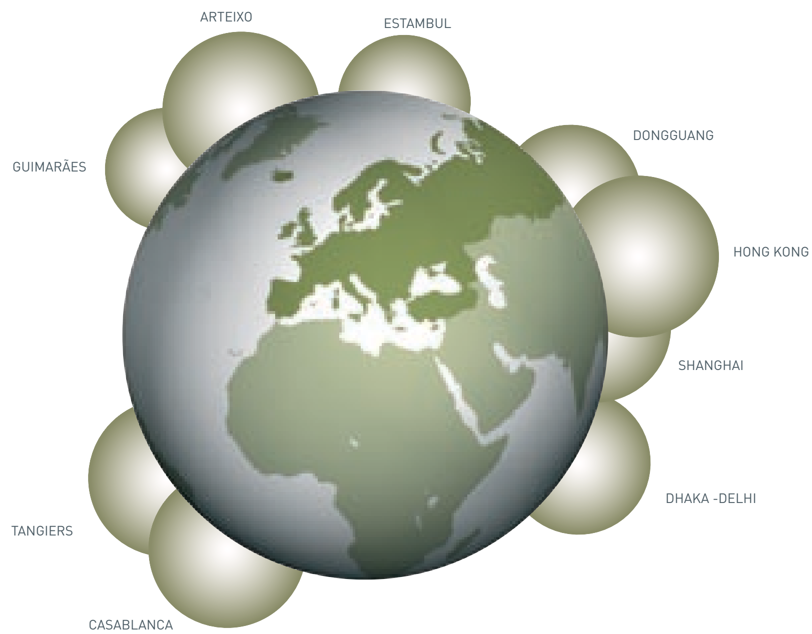
The clusters of suppliers are working groups made up of suppliers, trade unions, sectorial employers' associations and international buyers, all of whom are inter-related, with the common objective of generating a sustainable productive environment in a strategic geographical area for the development of the Inditex business model.



(*) Standards of product Health and Safety developed by Inditex in collaboration with the University of Santiago de Compostela.

Objectives

- Creating an innovative space in Fundamental Employment Human Rights in the factories of the suppliers of Inditex.
- Developing mature relationships of collaboration and dialogue between businesspeople, workers and trade unions.
- Increasing the productivity of local manufacturers.
- Sharing technologies between Inditex and its local manufacturers as a source of "competitive advantage".



Objectives 2006/2007

Creation of stable clusters of:

- Guimarães (Portugal)
- Tangiers (Morocco)
- Istanbul (Turkey)
- Dhaka/Delhi (Bangladesh/India)
- Shanghai (China)

Objectives 2007/2008

Consolidation

Stable Clusters (*)	OBJECTIVES
- Guimarães (Portugal) - Tangiers (Morocco) - Istanbul (Turkey) - Dhaka/Delhi (Bangladesh/India) - Shanghai (China)	- Standardisation of suppliers in the matter of Safety and Health of the Product - Rationalisation of the number of suppliers - Increase in productivity

New experiences

Periodic clusters (**)	OBJECTIVES
- Mexico - Río de Janeiro (Brazil)	- Initiation of processes of standardisation of Health and Safety of the Product - Rationalisation of the production chain - Increase in productivity

(*) Integrated by a permanent team of Compliance and Health and Safety of Product Control, from the RSC Department and Inditex purchasers.
(**) Annual meetings.

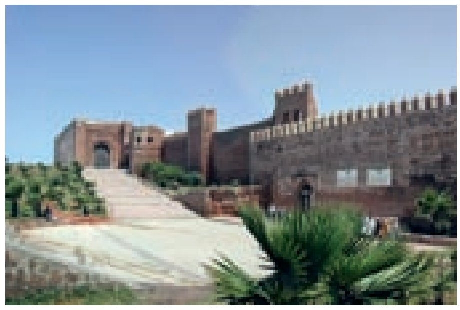
The agents

- Heads of the Inditex purchasing teams
- Compliance Team from the Department of Corporate Social Responsibility (RSC) of Inditex
- Health and Safety of the Product Control Team from the RSC Department of Inditex
- Team of Local External Consultants
- Representatives of Platforms of International Dialogue
- Representatives of Associations of Local Businesspersons
- Representatives of Local Trade Union Federations, Spanish and International

Activities 2006 with clusters of suppliers

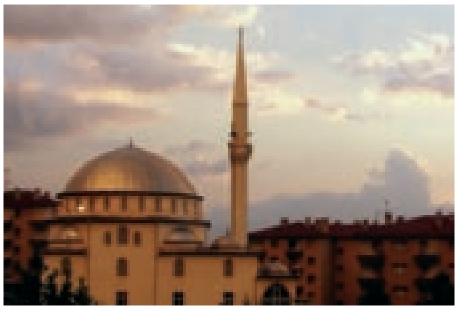
China

Locality	Shanghai / Hong Kong/ Dongguang		
Date	September, November and December 2006		
Agents	- Inditex RSC Compliance Team. - Health and Safety of the Product Team from the RSC Department of Inditex. - Heads of the Inditex Asian purchasing teams. - External social auditors (Intertek China) - Independent trade union observers (FITEQA-CC.OO.) - Working group: 129 suppliers - commercial offices in Shanghai / Hong Kong / Dongguang.		
Commitments accepted		No. of suppliers attending	Maximum period
Recurrent suppliers	- Correcting those breaches of the Code of Conduct for Manufacturers and External Workshops which have been detected in the course of the Audits, grouped in two categories: 1 Excluding: "Remuneration less than the minimum wage" and "Child labour". 2 Penalizing: "Non-remunerated overtime", "No weekly rest" and others. - Studying the application of the Health and Safety Standards of Inditex Products.	104	Summer 2008
New suppliers	- Fulfilling the demands of the Code of Conduct for Manufacturers and External Workshops and the Base Code of ETI. - Conducting Social Audits by External Social Auditors accredited by SAI. - Completing the questionnaire Inditex Pre-Assessment.	25	Immediate



Morocco

Locality	- Tangiers, Casablanca and Rabat (Morocco), Arteixo (Spain)		
Date	November, December 2006 and January, February 2007		
Agents	- Inditex RSC Compliance Team. - Health and Safety of the Product Team from the RSC Department of Inditex. - Heads of Inditex purchasing teams in Morocco. - External consultants (TNG Soluciones) - External social auditors (Intertek Morocco) - Independent trade union observers (FITEQA-CC.OO.) - AMITH. - Moroccan Ministries of Industry and Labour. - Working group: 47suppliers.		
Commitments accepted		No. of suppliers attending	Maximum period
Recurrent suppliers	- Correcting those breaches of the Code of Conduct for Manufacturers and External Workshops which have been detected in the course of the Audits, grouped in two categories: 1 Excluding: "Remuneration less than the minimum wage" and "Child labour". 2 Penalizing: "Non-remunerated overtime", "No weekly rest" and others. - Studying the application of the Health and Safety Standards of Inditex Products. - Reducing the number of traders and commercial offices acting between Inditex and the final manufacturer. - Rationalisation of the costs of production. - Controlling subcontracting not authorised by Inditex.	25	Winter 2007
New suppliers	- Fulfilling the demands of the Code of Conduct for Manufacturers and External Workshops and the Base Code of ETI. - Conducting Social Audits by External Social Auditors accredited by SAI. - Completing the questionnaire Inditex Pre-Assessment.	22	Immediate



Turkey

Locality	Istanbul		
Date	January / February 2007		
Agents	- Inditex RSC Compliance Team. - Health and Safety of the Product Team from the RSC Department of Inditex. - Heads of the Inditex Turkey purchasing teams. - External social auditors (Intertek) - Independent trade union observers (FITEQA-CC.OO., OZ-IRIK-ES TEKSIF, DISK TEKTIL) - Working group: 51 suppliers.		
Commitments accepted		**No. of suppliers attending**	**Maximum period**
Recurrent suppliers	- Correcting those breaches of the Code of Conduct for Manufacturers and External Workshops which have been detected in the course of the Audits, grouped in two categories: 1 Excluding: "Remuneration less than the minimum wage" and "Child labour". 2 Penalizing: "Non-remunerated overtime", "No weekly rest" and others. - Studying the application of the Health and Safety Standards of Inditex Products.	23	Winter 2007
New suppliers	- Fulfilling the demands of the Code of Conduct for Manufacturers and External Workshops and the Base Code of ETI. - Conducting Social Audits by External Social Auditors accredited by SAI. - Completing the questionnaire Inditex Pre-Assessment.	28	Immediate

Portugal

Locality	Guimaraes		
Date	January 2007		
Agents	Inditex RSC Compliance Team. - Health and Safety of the Product Team from the RSC Department of Inditex. - Heads of the Inditex Purchasing Team. - Management representatives from Zara Fábricas. - External social auditors (Intertek and PricewaterhouseCoopers) - Independent trade union observers (FITEQA-CC.OO. / FESETE / ITGLWF) - Working group: 43 suppliers.		
Commitments accepted		**No. of suppliers attending**	**Maximum period**
Recurrent suppliers	- Correcting those breaches of the Code of Conduct for Manufacturers and External Workshops which have been detected in the course of the Audits, grouped in two categories: 1 Excluding: "Remuneration less than the minimum wage" and "Child labour". 2 Penalizing: "Non-remunerated overtime", "No weekly rest" and others. - Regulating the contractual conditions of apprentices in accordance with the current legislation. - Studying the application of the Health and Safety Standards of Inditex Products.	28	Winter 2007
New suppliers	- Fulfilling the demands of the Code of Conduct for Manufacturers and External Workshops and the Base Code of the Ethical Trading Initiative. - Conducting Social Audits by External Social Auditors accredited by SAI. - Completing the Inditex Pre-Assessment questionnaire	15	Immediate
FESETE	- Working agreement between FESETE and Inditex in the study of Home Working in the Area of Felgueiras. - Regulating the contractual conditions of apprentices in accordance with the current legislation.	-	Immediate

1.2 Dialogue Platforms

Having a dialogue is being an active part of the interdependent world in the process of transformation.

Dialogue is recognising that the values contemplated in our Code of Conduct for Manufacturers and External Workshops:

- do not have a fixed and closed meaning,
- are only operative if they become a reference point for dialogue,
- are not limited to being control elements and
- permit the construction of the common project of "a citizen and participatory company".

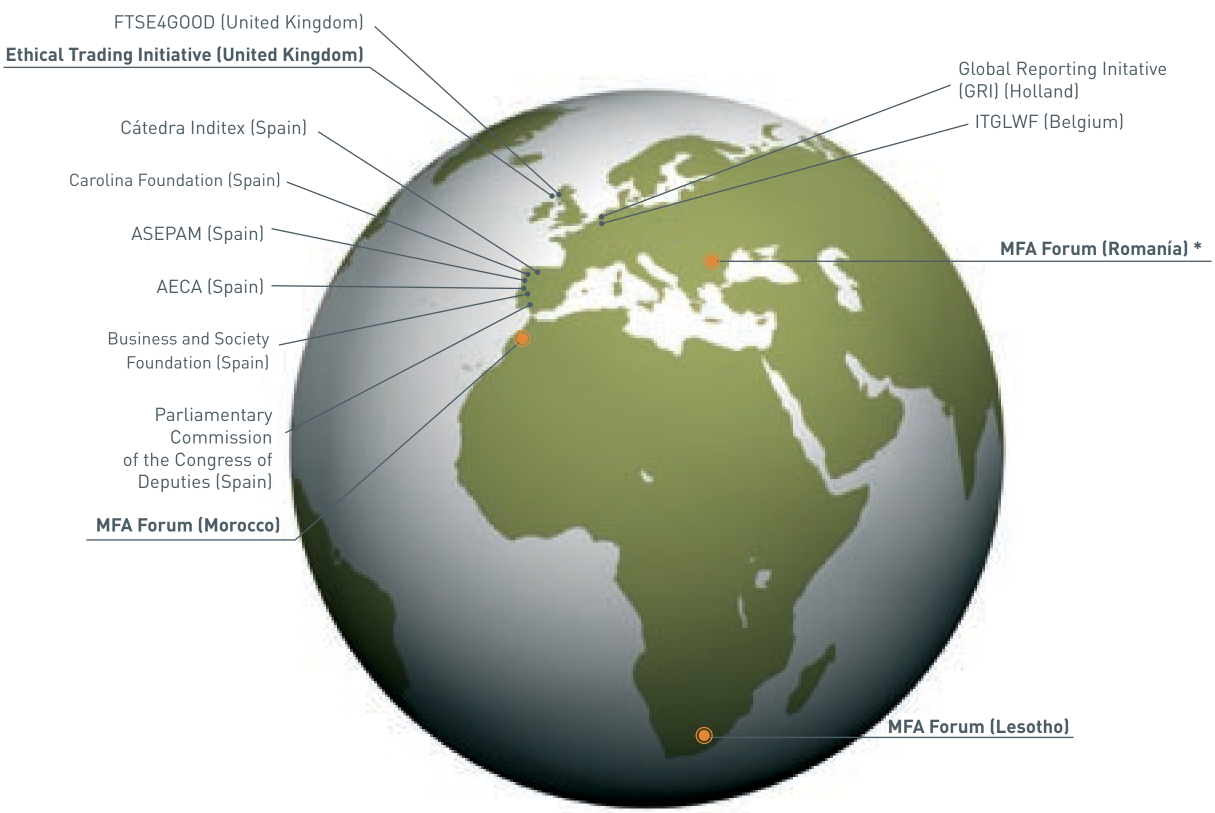
For dialogue it is necessary:

- To share respect for, and encouragement of, Fundamental Human and Employment Rights with our manufacturers and external workshops.
- Integrating these values on the agendas of the different "interest groups": trade unions and manufacturers and external workshops, mainly.

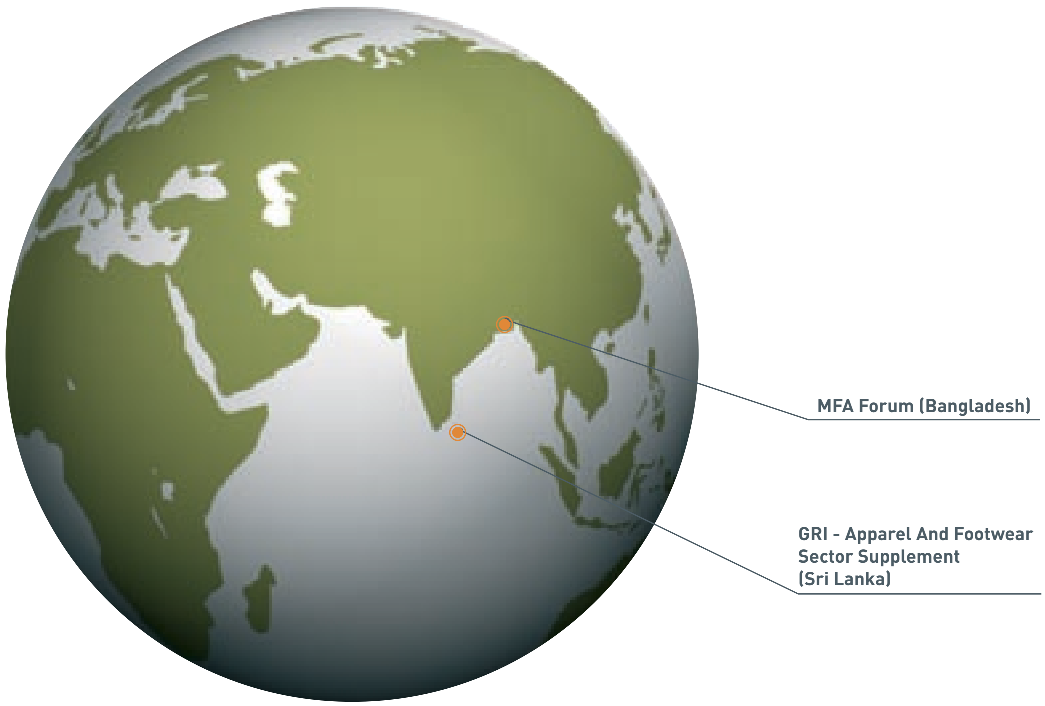
Definitively, the dialogue platforms are those spaces designed to promote and share experiences of implantation of models of Corporate Social Responsibility between multinational companies, institutions and organisations of the Third Sector.

Autumn-Winter campaign_Zara Home

1.2.1 Main Dialogue Platforms



(*) Activities to be conducted in 2007 - 08



(*) Activities to be conducted in 2007 - 08

"Multifiber Agreement" - MFA Forum
www.mfaforum.org

Multifiber Agreement Forum was constituted in 2004 for the purpose of dealing with the challenges which arise from the progressive disappearance of the quota system which governs the textile industry. This dialogue platform is made up of: (1) Manufacturers and distributors of raw material, finished product, shoes and accessories (2) International trade union organisations (3) Non Governmental Organizations and (4) International dialogue platforms.

The executive committee is made up of:

- The International Labour Organisation (ILO)
- International Textile, Garment and Leather Workers Federation (ITGLWF)
- Maquila Solidarity Network.
- Oxfam.
- ETI.
- The Gap Inc.
- Inditex.

"MFA Forum Lesotho"- Maseru (Lesotho)
15 – 16 May 2006

Agents:

- Trade Union organisations: ITGLWF, ILO and local trade unions.
- Multilateral Organisations: MFA Forum (Secretariat) and African Growth and Opportunity (AGOA)
- Lesotho Ministry of Industry.
- International purchasers: The Gap, Inc., Levi's and Inditex.

Objectives

- To design a system of Compliance which helps to improve the employment standards of the local manufacturers.

Actions

- To create a working group - local government, international purchasers, trade unions and local manufacturers - to carry out actions which make it possible to: (1) increase the productivity of the factories (2) attract new international purchasers (3) based on the two foregoing points, to establish / increase the current supply of employment in local factories and (4) finally, in a stable working environment, to carry on effective and sustainable actions for prevention of, and struggle against, HIV from the textile factories.

Period: Medium Term.

"MFA Forum Marruecos"- Casablanca (Morocco)
December 2006

Agents:

- Trade Union organisations: ITGLWF and ILO.
- Multilateral Organisations: Mfa Forum (Secretariat)
- Moroccan Association of the Textile Industry: AMITH.
- Spanish business association: CEOE - Spanish Desk.
- Moroccan ministries: Ministry of Industry and Employment.
- Spanish Ministry of Work and Social Affairs.
- International purchasers: Inditex, mainly.

Objectives:

- To draw up a sectorial Code of Conduct from the standard "Fibre Citoyenne" drawn up by AMITH, following the experience of the MFA Forum in other countries, which should serve as a reference point for: (1) those multinationals which carry out activities of manufacturing and (2) the local Moroccan manufacturers.
- To study the creation of alliances between: (1) the MFA Forum (2) AMITH and (3) international purchasers, to study actions which make it possible to increase the productivity in the factories of the suppliers of members of MFA and, definitively, to contribute to the development and improvement of competitiveness of the sector as a whole.

Actions:

- To create a working group responsible for the design of a "Single Code of Conduct" for both (1) international purchasers and (2) local manufacturers.

Period: Immediate.

- To create a common system of Compliance which makes it possible for all the members of the MFA Forum who carry on activities of production in this country: (1) to share information relating to the result of the social audits and (2) to correct the main breaches through the conduct of joint plans of action.

Period: Medium Term.

The scenarios where the MFA Forum is present are:

(a) Bangladesh.
(b) Lesotho.
(c) Morocco.
(d) Romanía, Honduras and Nicaragua , shortly.

Objectives

- The design of actions to strengthen the chains of production of its members in complex social and employment settings.
- The encouragement and protection of human and employment rights as a source for the generation of "competitive advantages".
- The execution of actions devoted to increasing productivity in the textile and footwear industry in scenarios in which it acts with the aim of facing up to the challenges of the 21st Century.
- Facilitating the existing climate of industrial relations between its agents: business-people, trade unions and civil society.

"MFA Forum Bangladesh"- Dhaka (Bangladesh)
May 2006

Agents:

- Trade Union organisations: ITGLWF and the ILO.
- Multilateral Organisations: UNDP.
- Business associations: BGMEA and BKMEA.
- International purchasers: Carrefour, Disney, The Gap Inc., H&M, Levi's, Marks & Spencer, Nike Inc., Wal–Mart Inc. and Inditex.

Objectives:

- To implement a Single Code of Conduct applicable for: (1) those multinationals which carry out activities of manufacturing and (2) the local Bengali manufacturers.
- To review the legal and employment framework in Bangladesh.
- To promote actions which increase productivity in the textile sector.
- To develop a working group to update the current system of remuneration at "piece rate".
- To strengthen the implantation of the Principle of Freedom of Association and the Right to Collective Negotiation as key elements to guarantee the development of mature relationships between workers, factory managers and trade union organisations.

Actions:

- To carry out joint actions - association of businesspeople (BGMEA and BKMEA), local industry and international purchasers for: (1) improving the current employment framework (2) increasing the systems which guarantee proper health and safety in the workplace, as is contemplated in Convention 155 and Recommendation 164 of the ILO and (3) promoting a review of current minimum salaries.
Period: Immediate.

- Designing programmes of integral training within factories to increase productivity and, definitively, the competitiveness of the textile industry.
Period: Medium Term.

Ethical Trading Initiative
www.ethicaltrade.org

Ethical Trading Initiative is a multi-sectorial platform of dialogue which groups representatives of: (1) a wide spectrum of multinational companies from different economic sectors, (2) trade union organisations and (3) organisations from the international civil society.

- Its area of influence: 37 multinational corporations whose business models have an effect on over 25,000 suppliers and over three million workers.

The Board of Management is made up of:

- Representatives of multinationals: The Gap, Boots, Marks & Spencer and Inditex.

- Trade union organisations: International Confederation of Free trade Unions (ICFTU); International Textile, Garment and Leather Federation (ITGLWF); International Union of Food Workers (IUF); and, finally, the Trade Unions Congress (TUC)

- Representatives of civil society: Women Working Worldwide (WWW), Christian Aid (CA) and National Group on Homeworking and Homeworkers Worldwide (NG HHW)

Objectives

- To encourage respect for the Fundamental Human and Employment Rights in the different spheres of influence of its members.

- To promote the application of the Base Code in the chains of production of the member companies.

- To develop instruments for the implantation of the Base Code among its members, through the development of the "best practices".

Year	Locality	Actions	Objectives
1998	London (UK)	Constitution of ETI with the presence of seven corporations, two representatives of Civil Society and two trade union organisations.	• Creation of a space of action and multi-sectorial dialogue - companies, trade unions and representatives of the Third Sector - to encourage respect for Fundamental Human and Employment Rights in the chains of production of its members.
2002	London (UK)	Creation of "Project China" backed by NGOs and Trade Union Organisations that are members of ETI. **(www.ethicaltrade.org/z/actvts/exproj/china/index.shtml)**	• Sensitising and promoting Corporate Social Responsibility in China. • Initiating a process of improvement in the social and employment conditions of the workers on the chains of production of the member companies in China. • To initiate intervention programmes to correct situations of "child labour".
2004	Istanbul (Turkey)	Creation of a Common Code (Join Code) for the manufacturers who make up the chain of production of the member companies in Turkey. **(www.jo-in.org/turkeyproject.htm)**	• To develop a Common Code in Turkey for the textile and footwear industry. • To develop effectively and efficiently both the processes of sensitization and those of implantation of the above-mentioned Code. • To design actions which correct the duplicities deriving from the processes of Compliance carried out currently by the member corporations.
2004	London (UK)	Working Groups on "Responsible Purchasing Practices". **(www.ethicaltrade.org/z/actvts/exproj/purchprac/index.shtml)**	• To design "responsible practices" between its participants to contribute to an improvement in the working conditions of the chains of production. • To study the use of responsible practices as an instrument and source of "competitive advantages" for the manufacturers who make up the different chains of production of the members of ETI.
2005	London (UK)	Inditex joins ETI.	• To adopt the *Base Code* as a framework of reference for the development of the strategy of Corporate Social Responsibility.
2006	London (UK)	The head of Corporate Social Responsibility of Inditex joined the Board of Management of ETI.	• Participating actively in the working groups on responsible practices. Especially in: China, Bangladesh, Turkey and Morocco.

GRI - Apparel & Footwear Sector Supplement (Brazil) www.globalreporting.org

The Global Reporting Initiative (GRI) is an independent multilateral platform whose main objective consists of developing methodologies for the preparation of Sustainability Reports.

During 2005-2007, Inditex has actively collaborated in the preparation of the Apparel and Footwear Sector Supplement.

This document is a supplement which makes it possible to adapt the Guide to the textile sector including, among other aspects, specific indicators of this sector.

Participants at the meeting in Fortaleza (Brazil) October 2006

ITGLWF
Nation Taiwan University of Science and Technology.
Verité.
MAS Holdings (Sri Lanka)
Oxfam GB Bangladesh Programme.
H & M Hennes y Mauritz AB.
Timberland.
Nike, Inc.
C & A Europe.
Levi Strauss & Co.
Gap Inc.
Grendene.
Grupo de Monitoreo Independiente del Salvador.
Center for Reflection, Education and Action.
Interfaith Center on Corporate Responsibility.
Feng Tay Group.
Wuppertal Institute for Climate, Energy and Environment.
Inditex

Objectives

To define the new working framework and the indicators of the Apparel and Footwear Sector Supplement.

Commitments accepted

Implantation 2007 - 2008.

Index of Sustainability: FTSE4Good / Dow Jones Sustainability www.sustainability-indexes.com

They are financial mechanisms used to measure the behaviour of the corporations in the matter of sustainability.

- Inditex has been included in the list of: (1) FTSE4Good Index and (2) Dow Jones Sustainability Index since 2002 and 2003 respectively.

Work carried out

- Identifying leading companies in the matter of sustainability.

- Supplying points of reference for the management of portfolios with criteria of sustainability.

- Contributing to the development of responsible business practices.

Carolina Foundation
www.fundacioncarolina.es

Set up in the year 2000, the Carolina Foundation promotes cultural relationships and cooperation in the matter of education and science between Spain and the countries of the Latin American Community of Nations.

Work carried out

- First International Conference on RSC organised by the Carolina Foundation and the Euroamerica Foundation (Casa de América, November, 2005).

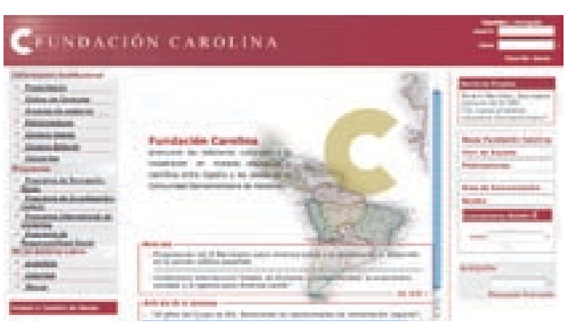
Among its objectives are the following:

  - To establish a forum of debate which will allow a better knowledge and evaluation of the practices of Corporate Social Responsibility on the part of companies, the Administration and the Third Sector.

- Workshop on Business Social Responsibility: "Best Practices and Open Dialogue between the companies of the Owners' Association" (Cartagena de Indias, June 2006)

Among its objectives are the following:

  - To contribute to the exchange of experience and formation of networks in the field of Corporate Social Responsibility between the companies that make up the Owners' Association of the Foundation.
  - Publication of a monograph on "Best practices in Corporate Social Responsibility of the companies of the Owners' Association of the Carolina Foundation".



Business and Society Foundation
www.empresaysociedad.org

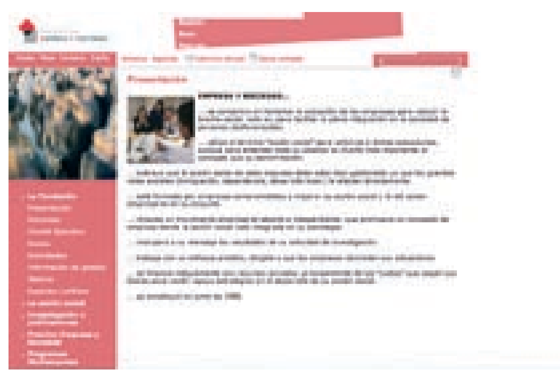
The objectives of the Foundation are, mainly: (1) to promote Companies' activities to help the integration of vulnerable groups such as inmigrants and handicapped, among others, and (2) to promote a practical development of the Social Action from the Corporations' reality.

Activities carried out by the Foundation

- Launch of the Strategic Plan 2007-2009 with the aim of promoting the business actions of its members regarding collectives of immigrants, the elderly, the disabled and local and educational development.

- Start up of the Programme of Social Action in collaboration with employees (19 associated companies)

- Business and Disability Programme (34 companies)



Asociación Española del Pacto Mundial (Asepam) www.pactomundial.org

The Asociación Española del Pacto Mundial (ASEPAM) (2004) is an initiative made up of 412 companies, 80 NGOs and institutions of the Third Sector, 25 educational institutions and 16 employers' associations and trade unions.

Inditex was the first Spanish company to join the Pacto Mundial and has been part of the Executive Committee of ASEPAM since 2005.

Work carried out

- Creation of the so called "Square Tables" for trade unions (CC.OO and UGT) and 15 companies to generate "Best Practices" for the implantation of the 10 Principles of the Pacto Mundial.

- Presenting the experience of the Spanish "Progress Report", and its use as a reference for other networks, such as Kazakhstan, Lithuania, Macedonia, Morocco, USA, Turkey and the Ukraine.

- Participating actively in other forums:
    (1) 2nd COP Meeting (Geneva, Switzerland)
    (2) European Focal Points Meeting (Vienna, Austria)
    (3) Meeting of Advanced European Networks (London, UK), and
    (4) Annual Meeting of Redes Global Compact (Barcelona, Spain)

Cátedra Inditex www.udc.es

The Inditex Cátedra of Corporate Social Responsibility is a meeting place which is held at the University of A Coruña (Spain) where locally and internationally recognised experts provide their experience regarding RSC to the academic sphere.

Objective

- Promoting and disseminating matters related with the RSC in the academic sphere.

Spanish Association of Company Accounting and Administration
www.aeca.es

AECA is the Spanish Association of Company Accounting and Administration and among other activities it carries out studies aimed at improving the management techniques for Spanish companies.

Work carried out

- Inditex, as a member of AECA (2004), has participated during the year 2006 in its Commission for the Study of Corporate Social Responsibility, in the framework of which the following activities have been carried out:

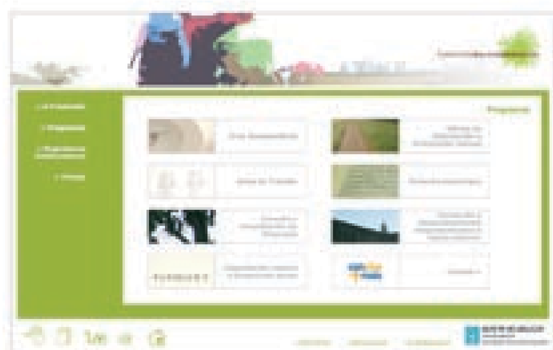
    - Semantics of Corporate Social Responsibility.
    - Government and Responsibility of the Company.
    - Limits on Sustainability Information: Entity, Income and Materialism.

Fundación Galicia Emigración
www.fundaciongaliciaemigracion.es

Created in 2002 by the Department of Emigration and External Cooperation of the Xunta de Galicia (Spain), this is an instrument for channeling public and private resources for the development of initiatives related with migration in Galicia.

Work carried out

- Supporting the following groups economically, socially and regarding health: (1) Galician emigrants overseas, (2) returned Galician emigrants and (3) immigrants resident in Galicia.



1.3 Programmes of Social Investment

The programmes of social investment, which have as beneficiaries the members of the communities where Inditex carries on its activities, are oriented in three directions:

1) the programmes of social capital,
2) the programmes of community development and
3) the emergency programmes.

From different points of view, an influence is shed on each one of the collectives of interest, with the aim of obtaining an improvement in their social and employment conditions through collaboration projects with independent institutions and organisations with ample experience in actions on the ground.

Autumn-Winter campaign_Zara Home

Consolidated social investment per project

Project Type		Data in euros	2006	2005	2004
Community development	**Entreculturas Foundation**				
		Argentina	**321,417**	221,112	212,629
		Brazil	**384,608**	431,704	347,441
		Peru	**1,262,372**	1,120,421	1,020,361
		Venezuela	**791,114**	780,269	721,449
		Chile	**41,206**	-	-
		Total	**2,800,717**	**2,553,506**	**2,301,880**
	Carolina Foundation		**124,800**	180,030	180,212
	Unirisco		**-**	100,000	500,000
	El Molí d'en Puigvert private Foundation		**(*)**	(*)	(*)
	Total Community development		**2,925,517**	**2,833,536**	**2,982,092**
Corporate capital	**Peru and Morocco**		**150,000**	178,345	341,142
	Total corporate capital		**150,000**	**178,345**	**341,142**
Sponsorship and patronage	**Culture**		**589,824**	410,249	726,796
	Sport		**143,669**		
	Training		**152,202**	167,864	75,000
	Business promotion		**84,238**	153,855	8,000
	Health		**700,000**	873,004	-
	Social assistance		**119,110**	116,310	-
	Total sponsorship		**1,789,043**	**1,721,282**	**809,796**
	Total (**)		**4,864,560**	**4,733,163**	**4,133,030**

(*) Paid in kind
(**) This quantity corresponds to the social investment of a recurrent nature, excluding that devoted to emergency programmes, so that the comparison between financial years is homogeneous.

Emergencies	**Red Cross**	SINGRA	**1,000,000**	1,000,000	600,000
	Cáritas	Tsunami	**-**	1,000,000	1,000,000
	Spectrum (Bangladesh)		**94,908**	72,542	-
	Total emergencies (***)		**1,094,908**	**2,072,542**	**1,600,000**

(***) Given the non-recurrent nature of the social investment linked to emergencies, its comparative evolution is offered independently.

Image of one of the community development projects carried out by Fundación Entreculturas - Fe y Alegría en América Latina.

1.3.1. Programmes of Creation of Corporate Capital

The Internal and External Social Capital Creation Programmes have been designed to help train committed people both inside and outside our suppliers' factories, and through them, to make them feel that their fate is linked both to the evolution of their surrounding environment and to the improvement of the social and working conditions.

These programmes start from education as a key element for the improvement of the human capital of the workers making it possible in the medium term:

- To train workers for the production of goods and services in a more efficient manner and, in consequence, to increase their personal income.

- To improve the possibilities of negotiating, communicating and selecting so that, definitively: (1) they become persons who hold the trust of the community / factory and (2) accumulate social capital in the form of respect and humanity.

For all these reasons, Inditex has developed programmes with agents who are external to the reality of the factories and experts in the field of the fostering and protection of the Fundamental Human and Employment Rights (local and international trade unions) with the objective of:

- Identifying networks of trust and friendship within the factories.

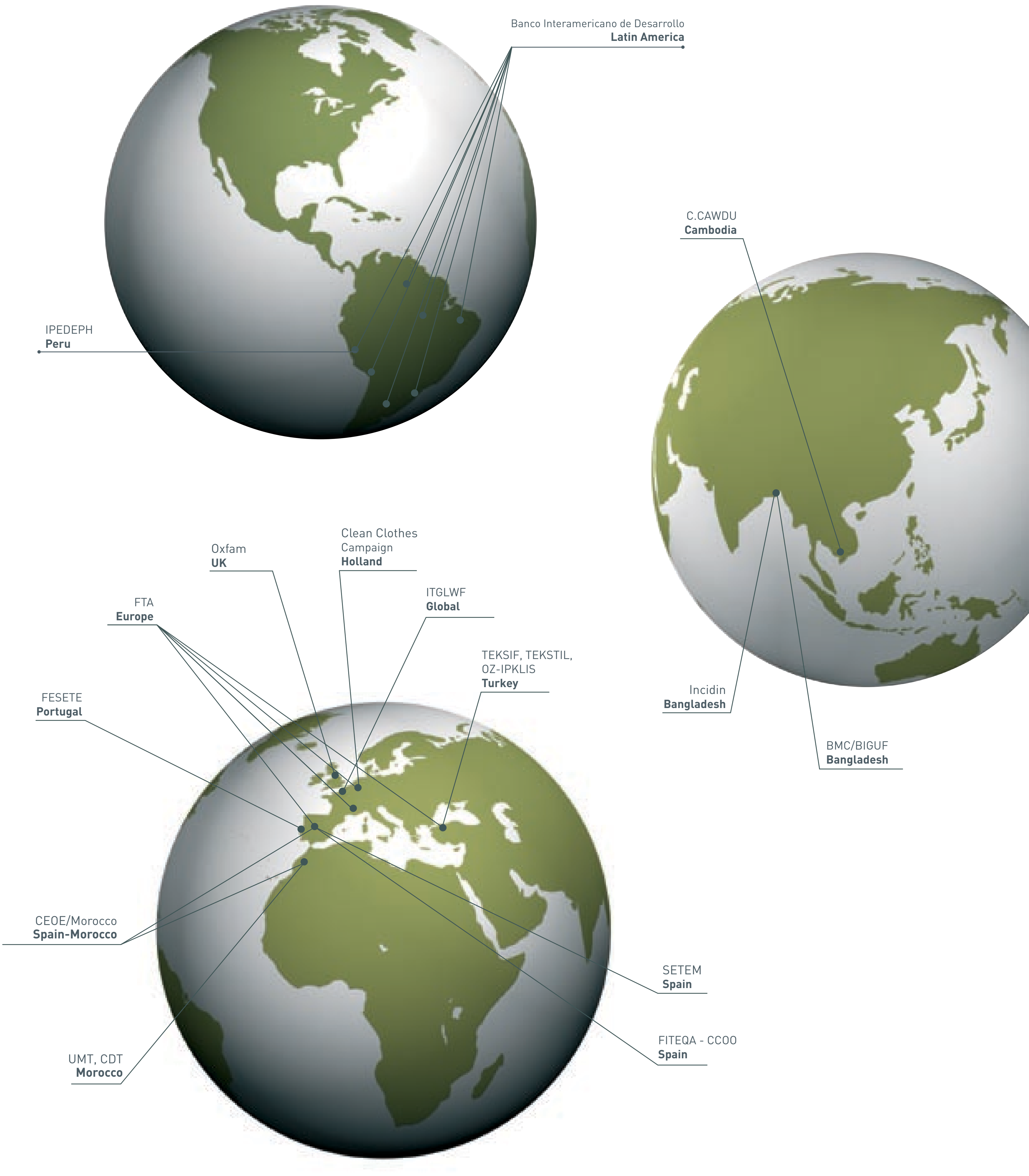
- Identifying potential leaders within the informal networks which are created in them.

- Developing training curricula on rights and citizenship.

- Generating networks which, based on the trust of their members, may prevent, and peacefully manage, the conflicts within a textile factory.

Interest groups	Actors	Area of influence
International Business Organisations	FTA CEOE/Morocco Banco Interamericano de Desarrollo	Europe Spain-Morocco Latin America
International Trade Unions	ITGLWF FITEQA-CC.OO *	Global Global
Local Trade Unions	FITEQA-CC.OO * FESETE TEKSIF TEKSTIL OZ-IPKLIS UMT, CDT BMC/BIGUF C. CAWDU	Spain Portugal Turkey Turkey Turkey Morocco Bangladesh Cambodia
Human Rights Organisations	Clean Clothes Campaign SETEM Oxfam Incidin IPEDEPH	Global/Holland Spain UK/ Bangladesh Bangladesh Peru

** The trade union with the greatest representation in the Inditex Group. It acts as an independent observer at: (1) the processes of sensitization and, later, implantation of the Codes of Conduct in the factories of the suppliers of Inditex and (2) as a "referee" in conflict resolution.*


Banco Interamericano de Desarrollo
Latin America
IPEDEPH
Peru
C.CAWDU
Cambodia
Incidin
Bangladesh
BMC/BIGUF
Bangladesh
Oxfam
UK
Clean Clothes
Campaign
Holland
FTA
Europe
ITGLWF
Global
TEKSIF, TEKSTIL,
OZ-IPKLIS
Turkey
FESETE
Portugal
CEOE/Morocco
Spain-Morocco
SETEM
Spain
FITEQA - CCOO
Spain
UMT, CDT
Morocco

Model of Creation of Social Capital

Elements responsible for processes of creation and accumulation of social capital in factories of the Inditex suppliers and in the communities where the workers and their families live.

Public community space		
Sources	Constitutional Order	
Tangible	**Assets**	Accumulation of Productive Social Capital (1)
	Intangible	Efficacy in community management through development of processes that guarantee: • inclusion, • equality, in the communities where employees and their families live.
Variables	**Structural**	Measuring the influence and development of: • institutions, • agents responsible for the processes of accumulation of Social Capital, in the communities where employees and their families live.
	Instrumental	Measuring the influence and development of: • regulatory planning, • the climate of respect and promotion of Fundamental Human and Employment Rights in the processes of accumulation of Social Capital, in the communities where employees and their families live.
Actors	**Public**	• Governmental institutions (Ministries of Industry and Employment), • Local business organisations, • Trade unions, • Human Rights organisations, in the communities where employees and their families live.
Processes	• Development of Clusters made up of: Local business organisations, suppliers and international purchasers. • Development of working groups.	
Objectives	• **Governability**: fight against corruption. • **Economic development:** creation of "competitive advantages". • **Social Cohesion:** development of social networks.	

PROCESS OF ACCUMULATION OF SOCIAL CAPITAL
in the communities where employees and their families live.

Instruments	
• Basic training in Fundamental Human and Employment Rights for the managers and heads of Human Rights in the factories of the suppliers of Inditex (Bangladesh and Cambodia) • Project V (Peru) • Projects I, II, III (Venezuela) • Singra Project.	
Actors	
• ITGLWF. • INCIDIN BANGLADESH. • Solidarity Center. • Coalition of Apparel Worker´s Democrative Union (C.CAWDU)	• Spanish Red Cross. • Entreculturas - Fe y Alegría (Spain) • Fe y Alegría (Venezuela) • Fe y Alegría (Peru)
Countries:	
• Bangladesh. • Cambodia.	• Spain. • Peru. • Venezuela.

1) It is that form of Social Capital that is developed in the structure of a socio-economic system and is oriented towards an increase of: (1) competitiveness and (2) the degree of availability of goods and services. The effects can be measured through the following variables: (1) degree of growth (2) level of development and (3) extension of social wellbeing.

Productive space / factories		
Legislative framework in Fundamental Human and Employment Rights		**Sources**
Accumulation of: • Civic Social Capital (2)	**Tangible**	**Assets**
Efficacy in conflict resolution through encouragement of: • Political values, • Civic values, • Moral values, • Trust, in the factories of Inditex suppliers.	**Intangible**	
Measuring the influence and the degree of development of: • the trade union fabric in the factories, • the participation of workers in the taking of decisions / resolution of conflicts in the factories of Inditex suppliers, responsible for the processes of accumulation of Social Capital.	**Structural**	**Variables**
Measuring the influence of knowledge and the exercise of Fundamental Human and Employment Rights by: • workers, • factory managers, • local trade unions, as a source of accumulation of Social Capital in the factories of the Inditex suppliers.	**Instrumental**	
• Trade Union Organisations in the factory. • NGOs near to the factories. • NGOs where the workers and their families live.	**Civil / trade union society:**	**Actors**
• Development of participatory processes in the taking of decisions in the factories. • Developing mature industrial relationships between workers and factory managers.		**Processes**
• **Governability:** peaceful management of labour conflicts. • **Economic development:** oriented towards the development of capacities of the workers. • **Social Cohesion:** integration and equality.		**Objectives**

PROCESS OF ACCUMULATION OF SOCIAL CAPITAL
in the factories of Inditex suppliers.

Instruments

• Procedures for Handling of Complaints.
• Grievances and Disputes Procedures.
• Disciplinary Procedure.

Actores

• ITGLWF.
• BFTUC, NFGW and BIGUF.
• Solidarity Center.
• Coalition of Apparel Worker´s Democrative Union (C.CAWDU)

Countries:

• Bangladesh.
• Cambodia.

(2) This is understood as that form of Social Capital that is developed through the relationships that are established between the workers individually and whose consequences transcend the private sphere and are oriented towards public life, giving rise to benefits which can be accumulated and enjoyed by the other members of the organisation (factory)

1.3.2. Programmes of community and associations development

At Inditex we support initiatives which promote the education of the most disadvantaged populations in those geographical areas that are close to the conduct of our activities, especially in Latin America.

We want education to reach the largest possible number of persons but also that its quality should get better and better and it should be aimed at social transformation.

We try not only to carry out projects of specific social investment but also we support educational processes. For this purpose, community education and promotion must advance hand in hand, complementing each other to achieve fully both inclusion in social and employment life and the democratic participation of all the citizens.

The construction of classrooms, the training of teachers, the support for educational programmes on the radio and centres of further education and the promotion of education are, definitively, our aim.

The programmes of community development promote education as a factor of development in those communities where Inditex carries on its activities of production, distribution and/or marketing.

Main social agents:

- Entreculturas Foundation - Fe y Alegría in Venezuela, Peru, Chile, Argentina and Brazil.
- Carolina Foundation (Spain)
- Fundación Molí d´en Puigvert (Spain)
- Red Cross (Spain)

Entreculturas Foundation - Fe y Alegría -	
Argentina	**321,417 euros** • Beneficiaries: 260 children and young people, approx. • Budget consumed (*): 159,286 euros. • Accrual budget 2006-07: 162,131 euros. • 2 projects.
Brazil	**384,608 euros** • Beneficiaries: 270 young people and 100 adults from the teaching staff of Fe y Alegría Brazil (indirectly, approximately 70,000 persons) • Budget consumed (*): 227,831 euros. • Accrual budget 2006-07: 156,776 euros. • 2 projects.
Venezuela	**791,114 euros** • Beneficiaries: Approx. 2.800 persons from the sectors of peasants, natives and marginal urban residents of the country. • Budget consumed (*): 437,822 euros. • Accrual budget 2006-07: 353,292 euros. • 3 projects.
Peru	**1,262,372 euros** • Beneficiaries: Approx. 15,000 boys, girls, young people and teachers. • Budget consumed (*): 627,181 euros. • Accrual budget 2006-07: 635,191 euros. • 6 projects.
Chile	**41,206 euros** • Beneficiaries: 2,000 children and young people, approx. • Budget consumed (*): 5,306 euros • Accrual budget 2006-07: 35,900 euros • 1 project.
Carolina Foundation	
Spain	**124,800 euros** • Beneficiaries: 1,500 persons, approx. • Contribution of Inditex: 124,800 euros
El Molí d'en Puigvert Private Foundation	
Spain	• Beneficiaries: 7 workers. • Annual socio-economic impact per user: 24,350 euros

(*) 87% of the consumed budget corresponds to projects committed to in the 2005, and carried out in the 2006 financial year.

Programmes linked to the Dakar Objectives (UNESCO)

Inditex continues to collaborate with the educational and social projects of the Entreculturas Foundation - Fe y Alegría. These projects, detailed below, have as their reference the six objectives of the text approved by the World Educational Forum that UNESCO presented to the international community from 26th to 28th April 2000 in Dakar.

DAKAR OBJECTIVES (UNESCO, 2000)	
Objective 1	To extend and improve integral education in infancy, especially of the most vulnerable and disadvantaged boys and girls.
Objective 2	To take care that, in 2015, all boys and girls, and especially those who belong to vulnerable ethnic minorities, have access to quality, free and obligatory primary education.
Objective 3	To take care that the needs of learning of all young persons and adults are attended to through training programmes which make it possible for them to have a properly active life.
Objective 4	To increase by 50% the number of literate adults, by means of equitative access to basic education, before 2015.
Objective 5	To eliminate the disparity of gender in the cycles of primary and secondary education in 2005. To achieve an equal educational situation, guaranteeing to girls full and fair access to basic quality education, before 2015.
Objective 6	To improve qualitative aspects of education, such as reading, writing, arithmetic and basic life skills.

MAIN PROJECTS 2006 ASSOCIATED WITH EACH OBJECTIVE	
Objective 1	- Increase and continuity of the initial educational offer in the locality of Embarcación (Argentina) - Improvement of the educational conditions for 170 young people in the locality of Taco Pozo (Argentina) - Improvement of the educational network in rural areas (Peru) - Strengthening of the educational network in the Vicariato de Jaén (Peru)
Objective 2	- Increase and continuity of the initial, primary and secondary educational offer in the locality of Embarcación (Argentina) - Improvement of the educational conditions for 170 young people in Taco Pozo (Argentina) - Improvement of the educational network in rural areas (Peru) - Strengthening of the educational network in the Vicariato de Jaén (Peru) - Improvement of the technical equipment in the schools of Tarma, Cutervo and Vicariato de Jaén (Peru)
Objective 3	- Educational proposal for social insertion in the region of Farrapos (Brazil) - Programme of family reintegration and social integration in the boroughs of Florianópolis and Sao José (Brazil) - Attention to children, teenagers and young people at social risk in a variety of areas of the country (Peru) - University education for young Peruvians without resources (Peru) - Support for self-management in the native communities of Ye´kuana, Sanema, Warao, Pumé, Kariña and E´ñepá (Venezuela) - Strengthening of the Programmes of Technical Professional Education (Chile)
Objective 4	- Reduction of illiteracy through radial education in Lima and Callao (Peru)
Objective 5	- Increase and continuity of the initial educational offer in the locality of Embarcación (Argentina) - Improvement of the educational conditions for 170 boys and girls in the locality of Taco Pozo (Argentina)
Objective 6	- Strengthening of the educational network in the Vicariato de Jaén (Peru) - Reduction of illiteracy through radial education in the areas of Lima and Callao (Peru) - Increase and continuity of the initial educational offer in the locality of Embarcación (Argentina)

Evolution of the programmes linked to the Dakar Objectives since 2002

EDUCATION FOR ALL DAKAR OBJECTIVE

2002

Objective 2:

- Construction of educational infrastructures for primary students in Cuzco, Ilo, Tacna and Lima (Peru)
- Bilingual texts in Cuzco (Peru).
- Educational spaces - classrooms and libraries - for young people (Venezuela)

Objective 3:

- Socio-educational attention to 190 young workers. Increasing families' and schools' awareness of child labour.
- University education for young people (Peru).
- Education and training of 100 community organisation leaders.

Peru 849,315 euros

Venezuela 536,889 euros

Total 1,386,204 euros.

2003

Objective 1:

- Home creche network in Natal (Brazil)

Objective 2:

- Building six basic education classrooms in the northern area (Argentina)
- Extending and improving coverage in deprived urban parts of Lima (Peru).
- Improving education conditions for 1,200 children in Ilheus (Brazil).

Objective 3:

- Building and fitting workshops to train young people in Edo Bolívar and Cumaná (Venezuela).
- A hundred young people from Natal at social risk take part in educational and cultural activities (Brazil).
- 200 young people involved in Rio de Janeiro Community Cultural Centre (Brazil).

Argentina162,684 euros.

Brazil 145,135 euros.

Peru 934,075 euros

Venezuela 760,860 euros

Central America 136,609 euros.

Total 2,139,363 euros.

2004

Objective 1:

Home creche network in Natal (Brazil)

-Integral accompaniment of minors in Formosa (Argentina)

Objective 2:

- Construction of 2 classrooms in Guayana (Venezuela)
- Extending and improving coverage in deprived urban parts of Lima (Peru).
- Improving education conditions for 1,200 children in Ilheus (Brazil).

Objective 3:

- A hundred young people from Natal at social risk take part in educational and cultural activities (Brazil).
- 200 young people involved in Rio de Janeiro Community Cultural Centre - continuation.
- 871 young people from urban areas gain access to further education.
- 520 young people from Guayana (Venezuela) gain access to further education.
- 240 secondary pupils gain access to formal education in centres of FyA (Venezuela)

Objective 6:

-Education proposal in Cuzco (Peru) rural network.

- Actions of training for the educational Network in the Vicariato de Jaén (Peru)
- 100 active teachers take part in a training and updating process.

Argentina 212,629 euros.

Brazil 347,441 euros.

Peru 1,020,361 euros

Venezuela 721,449 euros

Total 2,301,880 euros.

2005

Objective 1:

- Increase of 120 places for pre-school education in Nova Esperança (Brazil)
- Programme for Teenagers and Young People (NAJ) (Peru).

Objective 2:

- Building two classrooms in double shift for 140 pupils in Alberdi (Argentina)
- Extending and improving coverage in deprived urban parts of Lima: four new classrooms in Lima and Tacna (Peru)

Objective 3:

- Incorporation of productive modalities for one hundred young high school students in Taco Pozo (Argentina)
- New opportunities for 150 young people in Nova Esperança and training for 200 persons on courses of short duration in production, processing and industrialisation in Laranja da Terra, Espirito Santo (Brazil)
- Building of two professional workshops and laboratories for 481 young people in secondary education (Peru).
- 520 young people from marginal districts of Carabobo and Maracay (Venezuela) gain access to technical training for work, 115 disadvantaged young people are included in modules of adapted professional training

Objective 6:

- Support for the rural network of 25 educational institutions and 8 CEOs in the Vicariato de Jaén (Peru)

Attention and improvement of special education in 15 institutions integrated in Fe y Alegría, reaching a total of 4,180 beneficiaries.

- University training of young people and teachers at Universidad Ruiz de Montoya (Perú)
- Actions of training for the educational Network in the Vicariato de Jaén (Peru)
- 100 active teachers take part in a training and updating process.

Argentina 221,112 euros.

Brazil 431,704 euros.

Peru 1,120,421 euros

Venezuela 780,269 euros

Total 2,553,506 euros.

Description of the educational and social projects conducted with the Entreculturas Foundation - Fe y Alegría.

Argentina

Inditex has supported two educational projects located in rural areas in provinces in the north of the country with the purpose of improving the educational conditions in two centres of basic education.

Project I. **Increase and continuity of the initial, primary and secondary educational offer in the locality of Embarcación (Salta).**

It consists of the construction, within the Educational Centre of Fe y Alegría, of:

- Four classrooms of the third cycle of Basic General Education.
- One classroom of the second cycle of Basic General Education.

The specific objectives of Project I are, mainly:

- Increase and continuity of the initial, primary and secondary educational offer
- To reduce the high rate of failure at school.
- To create a transformation factor for overcoming poverty and marginality.

Project II. **Improvement of the educational conditions for 170 young people in the locality of Taco Pozo (Chaco)**

It consists of the construction of toilets and a library within the Educational Centre of Fe y Alegría in the district of Mocoroa.

The objectives are to adapt the Centre to the necessary hygienic conditions, to guarantee access for the pupils to reading materials and to create a place of reference outside the school.

Brazil

Inditex collaborates in a range of social and educational projects for the inclusion of children, adolescents and young people in training, recreational and cultural proposals promoted in their "districts of residence".

Project I. **Educational proposal for social integration in the region of Farrapos (Porto Alegre).**

It consists of the creation of a Social and Educational Centre whose options are based on multiple cultural activities.

The specific objectives are:

- To develop educational opportunities for social interaction for young people and, indirectly, for their families.
- To encourage family and community cohesion.
- To increase the self esteem of young people.
- To encourage analysis of, and access to, knowledge about the Fundamental Rights.
- To guarantee satisfactory conditions for human development.

Project II. **Programme of family reintegration and social integration in the boroughs of Florianópolis and Sao José**

The Education Plan on which Project II is articulated is based on the conduct of a programme of family integration and social integration for children and teenagers and on the creation "working groups" for teaching.

The specific objectives are:

- To widen and reinforce the framework of action of the existing plan.
- To improve the living conditions of the children and teenagers.
- To guarantee access to social services.
- To encourage the improvement of the teaching options.

Venezuela

Inditex collaborates in the country through three great projects to reinforce the Social and Human Capital of the most vulnerable sectors. In this way, it is intended to create a stable social fabric, reinforcing the system of existing networks among the organisations which attend to social needs.

Project I. **Training in fundamental human rights in the state of Alto Apure**

Project I concentrates its activities on the creation of an office called "Justice and Peace" for the defence of fundamental human rights.

The specific objective is, mainly, to sensitise and train the rural population in Human Rights.

Project II. **Support for self-management in the native communities of Ye´Kuana, Sanema, Warao, Pumé, Kariña and E´Ñepá**

The Project concentrates principally on improving the conditions of life of the native communities and implementing models of sustainable development in these communities.

The specific objectives of Project II are, mainly:

- To strengthen the current educational options in the schools of the different Indian communities.
- To draw up the training programmes by the Native University in the different languages of the communities.
- To provide the necessary medicines to attend to the sick-bay of the mission of San José de Kayamá.

Project III. **Programme of citizen training in the Central Region , Andes, Lara, Zulia, Oriente and Guayana**

Project III concentrates its activities on:

- Facilitating access of citizens to public life.
- Advising existing organisations on the management of projects of local development.
- Improving the working capacity through rural cooperativism.
- Motivating the community through child leadership.

The specific objective is, mainly, to develop training curricula and training courses for the development of citizenship and cooperative development.

Indicators Argentina	
Duration of the project::	12 months.
Beneficiaries:	Approx. 260 children, and young people
Contribution of Inditex:	321,417 €.
Budget consumed:	159,286 €.
Accrual budget:	162,131 €.

Indicators Brazil	
Duration of the project::	12 months.
Beneficiaries:	270 children and young people, 100 adults. (indirectly approximately 70,000 persons)
Contribution of Inditex:	384,608 €.
Budget consumed:	227,831 €.
Accrual budget:	156,777 €.

Indicators Venezuela	
Duration of the project::	12 months.
Beneficiaries:	2,800 persons approximately
Contribution of Inditex:	791,114 €.
Budget consumed:	437,822 €.
Accrual budget:	353,292 €.

Peru

Inditex has continued its support for the education of, and attention to, the most vulnerable communities through six projects located in marginal urban areas and rural areas of the country, articulated in four lines of work:

- Improving the basic educational coverage.
- Strengthening the attention to children and youths in risk situations.
- To reduce the rate of illiteracy.
- To strengthen the social networks of the country.

Project I. **Improvement of the educational network in rural areas**

The Education Plan on which Project I is articulated is based on:

- The strengthening of the actions of the working groups by means of: (1) economic support to the local teams and (2) the conduct of "teaching workshops".
- Eductional projects in the matter of the environment.
- Development of educational tools for the management of bio-fields and sustainable systems of irrigation.

The specific objectives of Project I are, mainly:

- To improve the living conditions of the pupils and their families.
- Improving the teaching capacity of the educators.
- Modernising the rural centres of Fe y Alegría.

Project II. **Strengthening of the educational Network in the Vicariato de Jaén.**

Project II is articulated through the Educational Network of Fe y Alegría, composed of twenty-five educational institutions and eight Centres of Occupational Education.

The specific objectives are:

- To improve the research capacity of both the teachers and the students.
- To promote the participation of the families of the students/ beneficiaries in the training proposal so that, in this way, they participate in it.

Project III. **Reduction of illiteracy through radial education in the areas of Lima Callao**

The training proposal of Project III is articulated through a basic educational initiative, carried out via the radio.

The specific objectives are:

- To facilitate access to education for persons with difficulties to attend classes personally.
- To reduce the rate of illiteracy of the population.
- To permit continuity with advanced studies.

Project IV. **Improvement of the technical equipment in the schools of Tarma, Cutervo and Vicariato de Jaén**

It concentrates on the construction and equipping of:

- Eight classrooms for two educational centres in Tarma and Cutervo.
- Educational centres in the Vicariato de Jaén.

The specific objectives of Project IV are, mainly:

- To offer access to quality education to young people without resources.
- Facilitating access to more modern and updated educational contents.

Project V. - **Attention to children, teenagers and young people at social risk in the areas of Piura, Chiclayo, Lima, Ayacucho, Cusco, Tacna and Ilo.**

The Plan of Attention contemplated in the project consists of:

- Programmes of sensitisation in Fundamental Rights of vulnerable sectors at high risk.
- The standardisation of training curricula for its subsequent use in other geographical areas of the country.

The main objective is to facilitate legal and educational protection to young people in a situation of risk and vulnerability.

Project VI. **University training for young people without resources**

Project VI concentrates on the provision of grants to students who come from the Fe y Alegría schools to study at the Universidad Antonio Ruiz de Montoya. The specific objective is to give to students with few resources the opportunity to have access to superior degrees.

Chile

In this financial year, Inditex began its Programmes of Social Investment in this country by means of the conduct of programmes of technical and professional education and continuity plans for educational continuity for the students of the four schools of Fe y Alegría which teach technical and professional education in Chile.

Project I. **Strengthening of the programmes of professional technical education**

It concentrates on giving support to:

- Five schools of Basic Education.
- Three "pre-vocational workshops" for students who have abandoned their studies.
- Three schools of Basic Education and Professional Technical Education.
- One school of Medium Technical and Professional Education.

The specific objectives are:

- To improve the coverage and quality of the education in the most vulnerable sectors.
- To increase the opportunities for continuing one's studies.
- To enrich the employment alternatives.

Indicators Peru	
Duration of the project::	12 months.
Beneficiaries:	Approx. 15,000 boys, girls, young people and teachers
Contribution of Inditex:	1,262,372 €.
Budget consumed:	627,181 €.
Accrual budget:	635,191 €.

Indicators Chile	
Duration of the project::	12 months.
Beneficiaries:	Approx. 2,000 children and young people.
Contribution of Inditex:	41,206 €.
Budget consumed:	5,306 €.
Accrual budget:	35,900 €.

Description of the programmes carried out by the Carolina Foundation.

The Carolina Foundation has as its fundamental objective the promotion of cultural relations and international cooperation in the educational and scientific spheres between Spain and the countries of the Ibero-American Community of Nations as well as with those others with which there are special historical, cultural or geographical links.

Training programmes

The Training Programmes are oriented towards the extension of the studies of graduates, teachers, researchers and professionals from Latin America in Spain.

For this purpose, annually the following lines of financing have been offered through study grants:

Line of financing	Number of grants given
Post-graduate programme	1,055
Doctorate programme and "short stays"	332
Ongoing Training Programme	125

Research programmes

Aimed at important persons and groups with projection for the future in their respective countries, with the aim of them getting to know the Spanish reality and, at the same time, establishing contacts with Spanish personalities and institutions in their field of interest. Some specific programmes are:

- Líder Grants.
- Hispanic Leaders in the United States.
- Young Latin American Politicians.
- Leading Latin American Women.

International visitors programme

The Centre of Studies for Latin America and International Cooperation (CEALCI) hold a competition to help Research and Development based on the following lines of work:

. Studies on Latin America.
. International economic relations.
. Public policies.
. Quality of support for development.

Description of the programme carried out with the El Molí d'en Puigvert Foundation.

Created in 2002 by the Local Authority of Palafolls (Barcelona), the Comunitat Terapeútica del Maresme and the Cooperativa Agrícola de Palafolls, the Fundació Privada Molí d'en Puigvert is a charity which was set up with the aim of boosting, creating and managing business projects so as to facilitate the social and employment integration of persons with mental health problems. Each year it treats over one hundred persons.

Massimo Dutti and the Fundació El Molí d'en Puigvert have been collaborating since April 2002 on the project, 'For & From Special People'. The Foundation manages the Massimo Dutti store in Palafolls as a work centre for people with severe mental disturbance and sells clothes from previous seasons at very competitive prices. In 2006 the shop doubled its sales area up to 140 m^2 and updated its image.

After four years of activity, it has been confirmed as an economically viable project with great success in the social and employment integration of the beneficiaries.

Massimo Dutti_*For & From Special People* Project_Palafolls_Barcelona_Spain

For & From Special People: A possible project

The programme aims to design sustainable projects of employment integration for highly vulnerable collectives and measure their impact to guarantee their efficacy, efficiency and their subsequent repeatability, through the following groups of variables:

- Direct and demonstrable social savings through "savings generated for Society". Especially, for the public sector, through: (1) reduction in the number of re-admissions to hospital centres (2) the expense of pharmacological treatment (3) the reduction of public costs by means of the reduction of the Non-Contributory Benefits.

- Variable indirect savings:

    · Cost of the opportunity to stop work as a result of the sickness rate of the illness.

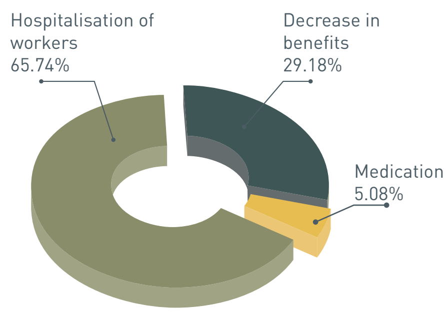
    · Decrease in productivity in the family environment of the patient, in terms of lost working days.

    · Cost of the opportunity due to the sickness rate due to mental illness.

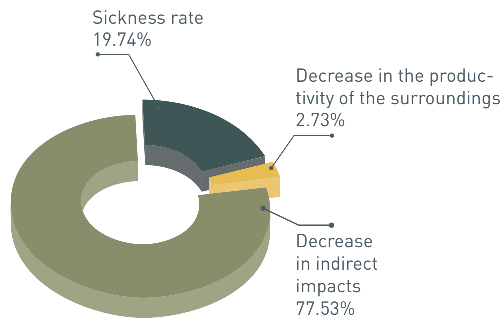
The store "For & From Special People" generated in 2006 socio-economic impacts valued at 24,350 euros per year per user.

Average social impact per user per year, 2006

Savings generated for society



Savings in direct impacts



A sociable project

Capacities over and above incapacity

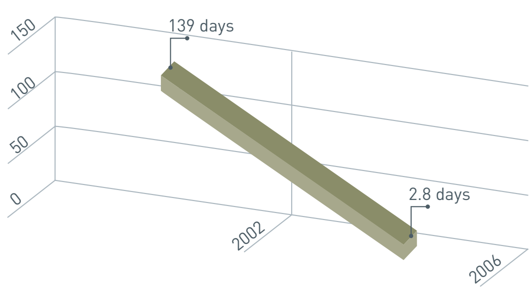
Over the last four years, the Project has provided permanent employment to eight persons, five of whom have severe mental problems.

Working in a place where attention is given to the public with a high rate of rotation of customers makes it possible for the workers with severe mental problems to constantly maintain inter-personal relationships with the customers.

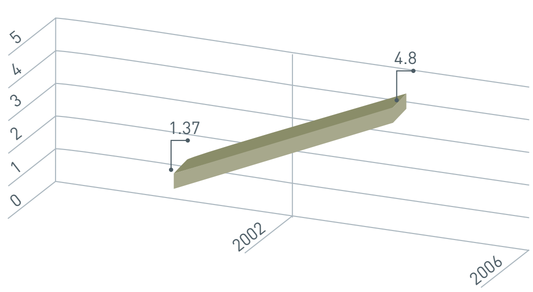
The increase in the quality of life of the workers/patients has been measured by:

- the improvement in physical and psychic health of the workers,
- the reduction in the levels of medication,
- the reduction in the use of hospital resources.

Evolution of the number of days of hospitalisation per year and patient



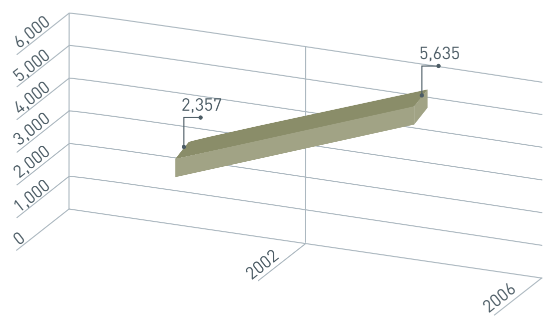
Evolution in the number of full-time workers with severe mental problems (*)



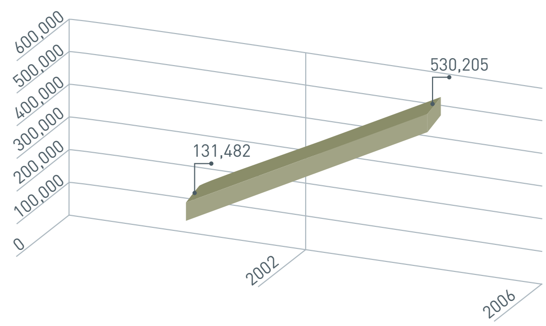
(*) Value calculated on the basis of the full working week of 40 hours

A sustainable project

Evolution of sales per square metre (euros/m^2)



Evolution of the turnover (euros)



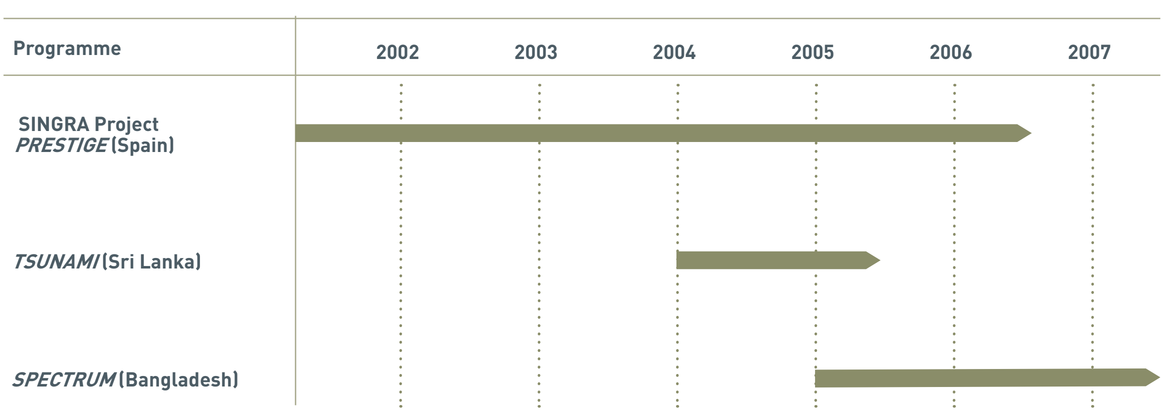
1.3.3. Emergency programmes

The emergency programmes are designed to reduce the negative consequences in the life of the communities affected by a catastrophe in geographical areas that are close to the conduct of the activities of manufacture and/or distribution of Inditex.

Natural disasters cause grave deterioration both in the infrastructure and the living conditions of the affected communities. Communities which, in the majority of cases, are little prepared to face up to these phenomena.

For this reason, although the strategy of social investment in projects of community development of Inditex does not contemplate the financing of emergency projects, it is sensitive to the reality of those communities that are affected by a situation of these characteristics in geographical areas that are close to the conduct of our activities of manufacture and/or distribution.

In this way, for over three years, Inditex has been carrying out the following programmes:



SINGRA PROJECT

Collaborating body	Spanish Red Cross.
Start of project	October 2003.
Duration of the project	39 months.
Objective	To reduce the socio-economic impact of the sinking of the tanker, Prestige, off the coasts of Galicia.
Direct beneficiaries:	92,000 persons.
2006 Contribution	1,000,000 euros.
Main areas of priority intervention	Activities of training, employment services, business promotion, employment mediation, development of associations and social action.

SPECTRUM PROJECT

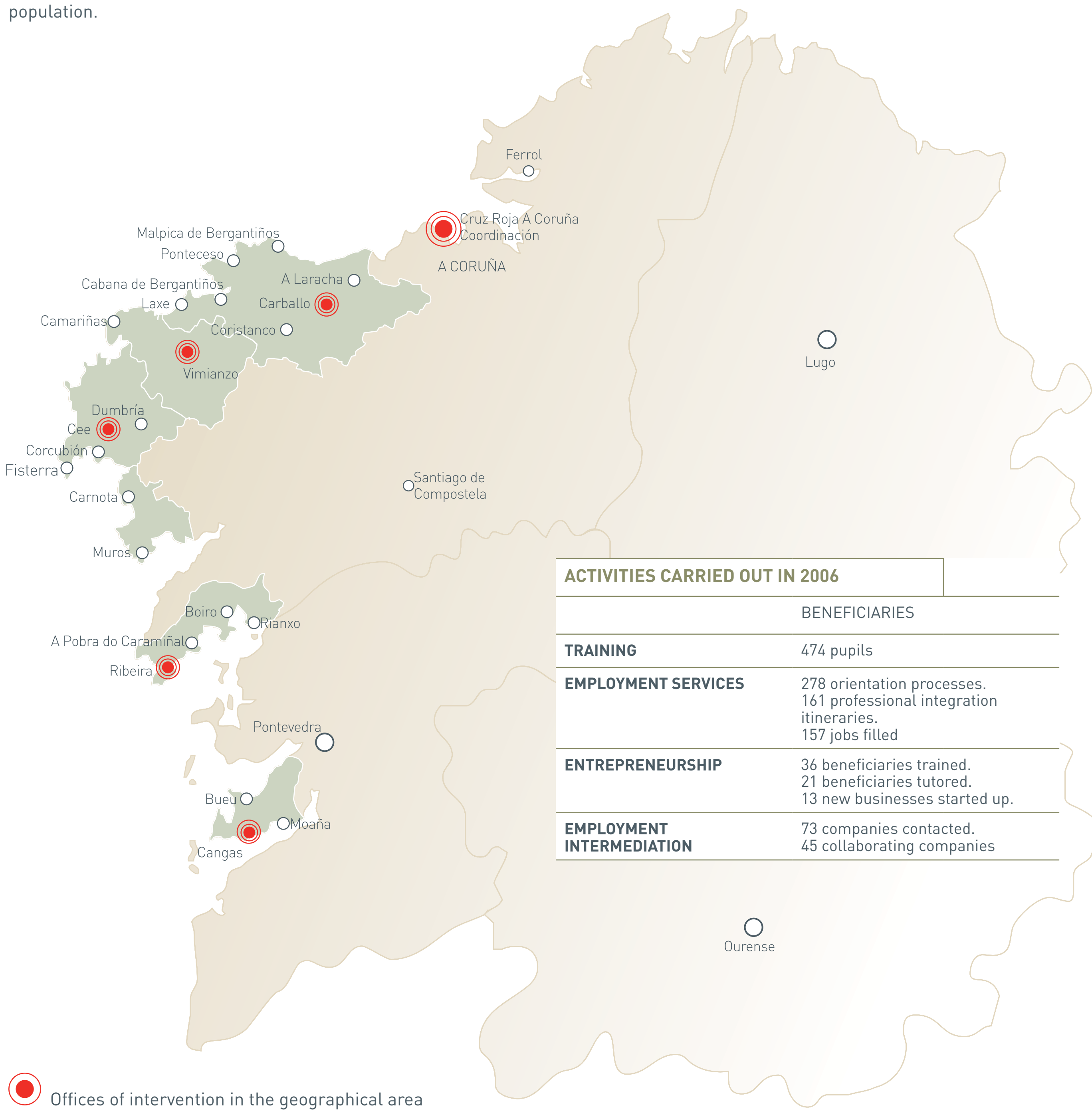
Collaborating body	Corporations, NGOs and trade unions articulated through the diverse instruments of management.
Start of project	April 2005.
Objective	To help the employees of the factory, Spectrum Sweater Industries, Ltd. in Savar, Bangladesh, which was flooded causing 64 dead and 84 injured.
Direct beneficiaries:	Factory employees and their families.
2006 Contribution	94,908 euros.
Main areas of priority intervention	Medical assistance and financial aid for the families through the creation of a pensions/compensations system, in line with the international regulations regarding insurances.

SINGRA Project / Red Cross
www.singra.org

The SINGRA project was designed to help to palliate the consequences of the catastrophe on the Galician coast after the sinking of the petrol tanker, the Prestige, (November 2002)

Its objectives: to strengthen the social and economic fabric of the Galician coast affected by the consequences of the catastrophe and to promote environmental sensitivity, especially among the youngest part of the population.

Cruz Vermella
Proyecto SINGRA



ACTIVITIES CARRIED OUT IN 2006

	BENEFICIARIES
TRAINING	474 pupils
EMPLOYMENT SERVICES	278 orientation processes. 161 professional integration itineraries. 157 jobs filled
ENTREPRENEURSHIP	36 beneficiaries trained. 21 beneficiaries tutored. 13 new businesses started up.
EMPLOYMENT INTERMEDIATION	73 companies contacted. 45 collaborating companies

Offices of intervention in the geographical area

PHASES OF THE SINGRA Project

Activities	
PHASE I - BEGINNING	Date: 2003
• Definition of beneficiaries.	• Children. • Young people. • The elderly. • Women. • Persons with severe difficulties for social and employment integration.
• Training of teams.	
• Presentation of the objectives of SINGRA to the different local agents in the six districts affected: - Bergantiños. - Terra de Soneira. - Fisterra. - Muros. - O Barbanza. - O Morrazo.	• Local authorities. • Guilds. • Associations. • Companies. • Educational centres. • Public employment services.
PHASE II - START UP	Date: 2004
• Integration in employment. Beneficiaries: 187 persons.	• Courses of business training. • Opening of businesses. • Participation of companies in the programmes for entering into employment.
• Social intervention. Beneficiaries: 870 persons.	• Encouragement of participation of the local associations in community life. Especially: - AMAPAS (Associations of young people and promotors of social and leisure services)
PHASE III - CONSOLIDATION	Date: 2005
• To design tools to help associations to improve the communities close to the geographical area affected by the consequences of the catastrophe.	• Crear en Femenino. • Creation of the Mar de Lira Cooperative (Local authority of Carnota - A Coruña -) • Schools in Laxe, Carballo and Ponteceso. • Training and meeting of associations. • Creation of the Porto do Son Association of Fishing Net Makers and Menders (A Coruña) • Occupational "Obradoiro" for young people.
PHASE IV - TRANSFER	Date: 2006
• Integration in employment. Beneficiaries: 157 persons.	• Activities carried out: - Strengthening the local networks of associations. - Training of the management of the associations of the area affected by the consequences of the catastrophe. - Organising cooperation procedures.
• Development of associations. Beneficiaries: 12,175 persons.	• Projects carried out: - Financing of development and of encouragement of associations programmes: Bueu, Camariñas, Vimianzo, Muxía, Cee and Corcubión. - Project of promotion for tourism of "Rutas dos Encoros", in the framework of a general strategy of the Camino de Santiago developed and co-financed by the Concello de Dumbria. - Offices of A Coruña, Xunta de Galicia and Singra.
• Social intervention. Beneficiaries: 3,127 persons.	• Project for technical aid in Carballo, Cee and Ribeira. • Project for functional adaptation of housing for the disabled and elderly persons: Malpica, Vimianzo, Cee and Cangas.

In the future, the following projects will be transferred for management by other institutions.

Locality	Programme	Institution continuing the offer of social services.
Carballo	Work orientation.	Ministry of Labour.
Vimianzo	Experimental employment plan	Vimianzo Local Authority.
Vimianzo	"Obradoiro" of employment.	Ministry of Labour.
Cee	Equal Project.	Cee Local Authority.
Ribeira	Experimental employment plan	Ministry of Labour.
Cangas	Employment service.	Municipal employment services.

SPECTRUM Project

The Spectrum Project was started up as a consequence of the catastrophe which occurred in the factory of Spectrum Sweater Industries, Ltd. in Bangladesh, which was flooded in April 2005 causing the death of 64 persons and injuries of different degrees of severity to over 80 workers. The gravity of this accident and its consequences showed: 1) the need to adopt preventive measures to prevent similar accidents and 2) to have a methodology for the evaluation of personal damages in the Developing Countries Factories in line with the most advanced technics to act rapidly and effectively.

From the experience of this project and having covered the first phase of help to those affected, work is being done in parallel to draw up a model of management of emergency projects, with the participation of the main social agents involved.

Compensations

The estimated voluntary compensations under the "Spectrum Project" are articulated:

1) "Lump Sum Payment" or Initial Payment and

2) A monthly Pension to be received by the family members of the dead and/or by the injured (depending on the case).

A detailed list of the calculations and the estimated compensation is as is shown below: (*)

Compensations / Beneficiaries	Lump sum Payment		Pension		Total	
	Euros	Takas	Euros	Takas	Euros	Takas
For death	135,000	10,752,000	253,000	20,197,000	**387,000**	**30,949,000**
For injuries	9,000	716,000	137,000	10,959,000	**146,000**	**11,674,000**
Total	**144,000**	**11,468,000**	**390,000**	**31,156,000**	**533,000**	**42,623,000**

(*) Approximate figures depending upon: (1) Taka interests rates evolution and (2) Country's inflation.

The general objectives of the programme are:

- To design a programme of intervention which can be replicated in the future to attend to similar catastrophes.
- To agree from the beginning on the scope, the methodology and the conclusions from the main parties involved.
- To use actuarial techniques to quantify the compensation.

The specific objectives are:

- To compensate the main beneficiaries of the dead: their widows and children.
- To compensate the injured workers, who as a consequence of the catastrophe have suffered different physical injuries and mental damage.

Future actions

General objective:

To design a theoretical model of management and administration of funds that can be replicated in the long term.

Specific objective:

1. To provide the project with processes of supervision by independent third parties which will make it possible:

- To guarantee the enjoyment of pensions / compensation.
- To evaluate the progress in school of the children of the dead workers.

2. To train the injured with grave consequences so that they can find a new job that is decent and sustainable.

3. To educate the widows of the dead workers to be autonomous managers of their own reality, through:

- Proper management of pensions / compensation.
- Courses of literacy.
- Courses of training in rights.
- Courses of micro-credits.

Instruments

Detailed list of the instruments of intervention used for the management and conduct of the "Spectrum" Project:

Instruments	Definition	Participants	Contents
Fact Finding Report	This is a project designed for: • Identifying the potential beneficiaries. • Obtaining their medical evaluations. • Getting to know the current reality of the injured workers and of the families of the dead.	• Bangladesh National Council (BNC) • Bangladesh, Garment Manufactures Exporter Association (BGMEA) • Oxfam – INCIDIN (Bangladesh) • 84 workers injured and their families. • 209 Beneficiaries (family members of the dead workers)	• 209 Beneficiaries (family members of the dead workers)
Emergency Trust	This is a fund devoted to attending to the urgent necessities, - medical and financial- of the families of the dead, the injured and/or their families - immediately after the catastrophe of the Spectrum factory -	Inditex ITGLWF *Oxfam – INCIDIN* (Bangladesh) *BGMEA* *BNC*	• Medical assistance for 22 injured workers. • Financial assistance for 38 families of injured workers. • Immediate help for 500 family members of the victims of the factory. • Agreement with the Hospitals for Paraplegics in Savar (Bangladesh) and Toledo (Spain).
Voluntary Relief Scheme	This is an Actuarial Fund designed to attend to and palliate the effects on the victims and/or the families of the catastrophe and calculated taking as a reference the Spanish and EU insurance regulations.	National and International Trade Union Associations: *Bangladesh National Council – BNC;and ITGLWF* National and International NGOs (Oxfam International and INCIDIN). Multinationals from theTextile Sector: Esprit, KarstadtQuelle ; Migros ; Nilson Group ; Solo Invest ; Titanus and Inditex.	Pensions / compensation calculated individually for: • Beneficiaries of the dead workers (widows and children) • Injured workers grouped in three categories depending on the gravity of the damage and the consequences suffered from the accident. These calculations have borne in mind: • Macro-economic hypotheses of Bangladesh. • Biometric hypotheses, such as mortality tables and life expectancy at birth in Bangladesh, among others. • Variables that are of the personal reality of the injured and dead workers, such as: salary, age, sex and beneficiaries.

1.4 Open to Society

Inditex has made a firm commitment to transparency when carrying out its activity. This commitment is aimed at transmitting a true external image to the interest groups with which it interacts, deriving from its policy of corporate social responsibility. The organisation maintains a solid relationship with the communications media and with organisations and institutions in a wide range of areas.

The budget devoted to paying for sponsorship and patronage is increased significantly each year.

Spring-Summer campaign_Zara Home

Sponsorship and patronage

Inditex devotes part of its budget for social investment to programmes of sponsorship and patronage, in collaboration with a range of institutions and organisations of known solvency and experience.

An internal body, the Commission for Sponsorship and Patronage, evaluates each one of the projects that it receives from a range of organisations, analysing their viability and affinity with the corporate policies of the organisation. If the evaluation is positive, the assignation of funds is made and actions of monitoring the results of the investment are programmed. This commission is made up of the Secretary General and Secretary of the Board, the Director General of Communication and Institutional Relations and the Director of Corporate Social Responsibility.

Projects linked with health make up over half the total investment. Two programmes, that of the Pro-CNIC Foundation in Spain and that of the Fundación Teletón in México, were the main beneficiaries of the contributions made in the sphere of health in the period 2005-2006.

Investment in programmes of sponsorship and patronage by area of intervention

<table>
<tr><th></th><th>2006</th><th>2005</th></tr>
<tr><td>Health</td><td>700,000</td><td>873,004</td></tr>
<tr><td>Culture</td><td>589,824</td><td rowspan="2">410,249</td></tr>
<tr><td>Sport</td><td>143,669</td></tr>
<tr><td>Training</td><td>152,202</td><td>167,864</td></tr>
<tr><td>Social assistance</td><td>119,110</td><td>116,310</td></tr>
<tr><td>Business promotion</td><td>84,238</td><td>153,855</td></tr>
<tr><td>General total</td><td>1,789,043</td><td>1,721,282</td></tr>
</table>

In 2006, Inditex continued its investment in programmes of sponsorship and patronage devoting 1.8 million euros to a range of projects of a local, national and international nature.

Support for medical research

Inditex continues to collaborate with the Fundación Pro CNIC (www.cnic.es), giving continuity to the project initiated in December 2005, as the result of an agreement signed between the Spanish Ministry of Health and Consumption and thirteen private companies, one of which was Inditex.

The companies undertook to supply the foundation with one hundred million euros up to 2012, which would be added to the contribution of 166 million by the State. This investment is devoted to financing the research activities of the Centro Nacional de Investigaciones Cardiovasculares (CNIC) which opened its new headquarters in Madrid during 2006. Currently at CNIC there are a number of leading-edge laboratories devoted to the study of a range of areas which are beginning to be a reference for scientific consultations by specialists internationally.

Apart from Inditex, other companies make up the Fundación Pro CINC such as Acciona, Banco Santander, BBVA, Endesa, Fadesa, Fundación Abertis, Fundación Ramón Areces, Gas Natural, Grupo Prisa, La Caixa, Repsol YPF and Telefónica.

In 2006, Inditex received the first FUINSA Prize for Clinical Research in the Company or Health Institution category, for contributing to the creation of the Centro Nacional de Investigaciones Cardiovasculares (National Centre for Cardiovascular Research, CNIC) in Spain. Fuinsa intends to encourage biomedical research; to promote and disseminate scientific, technical and health advances; and to contribute decisively to the improvement of quality in social and health assistance.

The "First FUINSA Prize in Clinical Research" Award Ceremony

Financing of technology for medical rehabilitation

Through the Mexican subsidiary, Inditex has been collaborating for a number of years with the Fundación Teletón (www.teleton.org.mx) whose activity is centred fundamentally in offering programmes of integral support to children with mobility problems and to their families through its system of Centres of Child Rehabilitation Teletón (Crit) attended by specialist professionals. The Crits work with leading-edge technology and with the most rigorous international standards of quality and they have a capacity to attend to 40,000 patients per year. Teletón works for the promotion of the culture of integration in favour of persons with handicaps and also supports the institutions that attend to handicapped persons in Mexico.

On the tenth anniversary of the Fundación Teletón, Inditex gave over 700,000 dollars (7,920,000 Mexican pesos) which have been devoted to the purchase of a latest-generation piece of neurological rehabilitation apparatus called Locomat. This is a robot which, through a system of harnesses, helps the patient to walk on a revolving belt and induces him or her to "relearn" the movement which is made in order to walk. The Teletón Foundation is the only rehabilitation centre in Latin America which currently has this sophisticated technology.

The Locomat has formed part of the equipment of Fundación Teletón since March 2006.

Programmes of cultural promotion and educational support

Inditex habitually collaborates in the funding of activities and initiatives in disciplines such as sport, music or art. The majority of these programmes are for support to local entities, located in the environment in which Inditex carries on its activity and in which the large centres of work are located.

A range of training projects and those of business promotion, both national and international, complete the investments in programmes of sponsorship and patronage.

1.4.1. Transparency of information

Inditex considers that the media are the main channel of transmission of information between companies and the public. Inditex manages its relationship with them from this viewpoint, accepting their position as independent, critical and committed intermediaries with transparency too. The informative relationship with the media is an important tool for the Group in its commitment to transparency, with which it intends not only to fulfil its obligations deriving from the regulation of the market but also to respond to the needs and demands of its different *stakeholders* in the knowledge of the company and its activity. This work with the media is managed by the General Directorate of Communications and Institutional Relations, which maintains a permanent and fluid contact with journalists in over 60 countries.

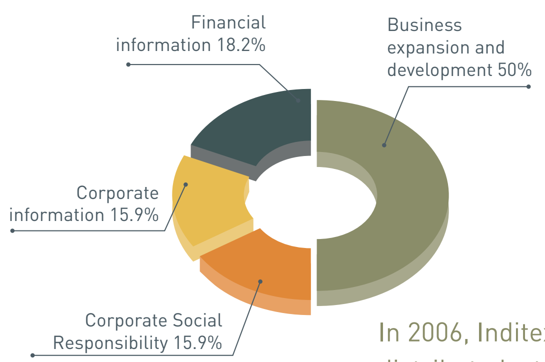
In 2006, Inditex distributed a total of 44 press releases and other news on the Group to the media. Over 5,600 applications for information made by the communications media from all over the world were attended to in this same period. A little fewer than 30% were from Spanish media, while the remainder were from international media, with a strong predominance of European countries and an increase in applications from Asiatic countries.

Inditex's activity, characterised by its commercial presence in the main commercial areas of the world, gives it wide visibility in the Spanish and international media. Inditex has a monitoring service carried out on the written press of the 32 countries with the greatest commercial presence of the Group, mostly European, which during 2006 gathered over 24,159 pieces of information published about the Group. Over half the pieces of information referred exclusively to Inditex or Inditex had a significant presence in them.

Press releases and news distributed in 2006

In the framework of its commitment to transparency, Inditex organised a range of events with the media in 2006 on specific events in which detailed information was offered on the future projects of the Group and the evolution of the results of the company, which made an impact on the press, radio and television, both Spanish and international. In establishing direct and open communication, the representatives of the main national and international communications media had the opportunity to attend the events organised for the opening of store number 3,000 of the Group and the opening of the first store in Shanghai.

Likewise, the media visited the headquarters of the company in Arteixo for the press conferences organised for the presentation of the annual results and the holding of the General Meeting of Shareholders.



In 2006, Inditex distributed a total of 44 press releases and other news on the group to the media.

Inditex keeps the hea
in 'fast fashion' secto

Retailer stays on top with blazing growth, but costs are concern

bined total sales and profit.

Inditex's shares slipped on the results amid concerns that its costs were rising faster than profit. In Madrid trading, its shares fell 1.7% to €34.07.

The company said it is working on the issue of rising costs and recently laid out an ambitious cost-

ing its other store chai... more upscale Massimo... gives it a jump on cheap... val Hennes & Mauritz... only recently announc... launch a second, more... chain. Earlier this ye... passed H&M in sales.

Due to the shares' re...

Zara内地首店今开南京路

Avec un cours au plus haut historique

Inditex se hisse au top de la Bourse espagnole

L'action du distributeur de vêtements, dont la célèbre marque Zara, a bondi de

La estrategia de márketing de 'Zara' gana adeptos en Estados Unidos

'Advertising Age', la principal revista norteamericana de publicidad, ha incluido a la cadena estrella de Inditex en su 'Top 50' anual de marcas brillantes. Es la primera vez que una enseña española entra en esta lista.

INDITEX (ZARA), CONTI SUPERIORI ALLE ATTESE E IL TITOLO VOLA

Expansion helps lift Inditex profit 19%

MADRID: Inditex, the largest clothing retailer in Europe, said Wednesday that second-quarter profit rose 19 percent after the company added Zara and Bershka stores outside its hom... of Spain.

Net income climbed to €1... lion, or $182.6 million, in th... months ended July 31, up fro... million a year earlier, acco... first-half results. Sales rose 25...

to €1.76 billion.

Inditex overtook Hennes & Mauritz as the largest European clothing retailer last year. Inditex's rapid expansion...

Gross margin, which is the percentage of sales left after subtracting the cost of goods, dropped to 54.2 percent in the quarter from 56.6 percent a year...

Ha riaperto il negozio nel centro di Firenze del gruppo spagnolo che possiede anche Zara

Inditex conferma la sua presenza in Italia con lo store Dutti

FIRENZE - In uno spazio notevolmente allargato e rinnovato riapre a Firenze, in via Roma, lo store Massimo Dutti, marchio del gruppo spagnolo Inditex, che era stato il primo negozio aperto in Italia. Il rinnovato punto vendita si sviluppa su due piani per una superficie complessiva di 1.100 metri quadri...

Online press office

In its commitment to transparency and with the objective of making the information more accessible, Inditex has a press office on its corporate web site (www.Inditex.com) which has now become a habitual channel for relations between the company and the media from all over the world.

The press area includes all the press releases and pieces of news issued by the company which can be selected according to criteria of subjects or chronology. It also includes the section with information for the press in which the communications media have access to a range of materials, of which the most important are: corporate reports on the company since 1998, a press dossier with information on the business model and other data of interest on the company or updated information on Inditex's actions.

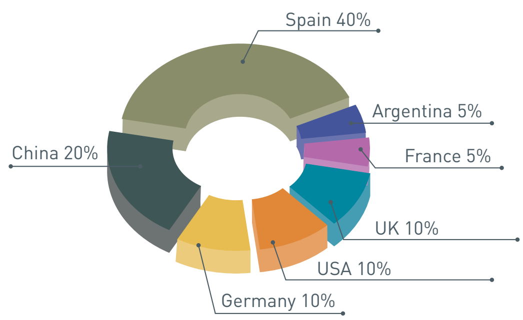
Information on inditex published in the press

Distribution of information in the international press	
UK	12.5%
Portugal	6.0%
Holland	4.7%
France	4.0%
Turkey	3.3%
Poland	2.9%
China	2.8%
Italy	2.7%
Sweden	2.5%
Japan	2.1%
Switzerland	2.0%
Germany	1.9%
Denmark	1.7%
Austria	1.6%
Other countries	12.3%

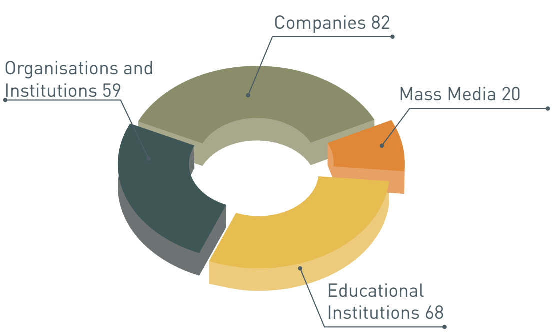
Institutional relations

The policy of approaching and opening up to different target audiences took off in 2006 with more than 220 visits to the Group's sites. Over 2,850 persons from companies, national and foreign educational institutions, and organisations and institutions of a range of different types, visited the installations of the Group where they had the opportunity to get to know the processes of design, patterning of garments, manufacture and the pilot shops of Zara, Zara Home and Kiddy's Class/Skhuaban. In this way, visitors can get to know the functioning of our business model and internal organisation.

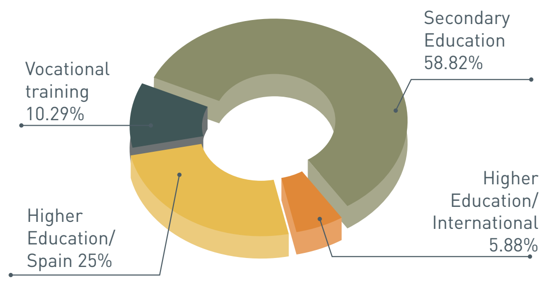
Visits by the media



Number of visits to Inditex



Visits from educational institutions



Group of students visiting Inditex Headquarters

Contact with shareholders

Shareholders

The shares of the Company are represented by means of account entries. The keeping of the registry of these entries is the responsibility of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear).

Inditex had 64,048 shareholders according to the data from the X-25 form that the Company requested from Iberclear for the Ordinary General Meeting of Shareholders for the year 2006. Of these, 61,140 were individual shareholders and the rest were investment institutions. Including the significant stockholdings registered at the National Securities Market Commission, the approximate summary of the shareholding structure is as follows:

Shareholders	Shares	%
Individuals	26,073,316	4.18%
Institutional investors	227,657,021	36.52%
Partler, S.L.	57,872,465	9.28%
Gartler, S.L.	311,727,598	50.01%
Total	**623,330,400**	**100.00%**

Inditex has among its principles of action, the fulfilment of a policy of transparency and maintenance of communication channels which guarantee that the totality of its current and potential shareholders have clear, complete, homogeneous and simultaneous information, which is sufficient to evaluate the management of the company and its economic and financial results. The Regulation of the Board sets down, in Article 41, a series of measures which regulate the relations with shareholders.

Shareholders' Office

Any private investor may go to the Shareholders' Office to obtain detailed information on the evolution of the business and the future strategy. Through this channel the individual shareholders can make any request for information that they deem relevant on the development of Inditex. The Shareholders' Office attended to over 1,000 requests from individual shareholders during 2006.

The Shareholders' Office takes on special relevance regarding the calling and holding of the General Meeting of Shareholders which is traditionally held in mid-July at the headquarters of Inditex in Arteixo (A Coruña). Sending information and documentation is carried out in a precise manner, so as to supply the shareholders with the proper knowledge of the call and the content of the General Meeting, as well as to facilitate their participation in the process of decision-making of the Group's most important organ of government.

Corporate web page

The corporate *web* page includes all the necessary information for shareholders and significant investors and is a vehicle of communication with the shareholders, providing them with updated information on all significant aspects of the Group.

Any user who accesses the corporate web page can see, among other information, the daily and historical quotation of the share, the annual public reports of Inditex since 1998, the financial information recorded at the National Commission of the Securities Market (Comisión Nacional del Mercado de Valores) (CNMV) via Periodic Public Information and other relevant information, the management team and the financial calendar, among other things.

In the year 2006, the information section for shareholders and investors on the corporate *web* page received 698,318 visits.

Apart from the corporate *web*, www.Inditex.com, there are other *web* pages of the Group, corresponding to the following commercial formats:

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

Department of Relations with Investors and Analysts

- 41 financial and stock market bodies publish analytical reports regarding Inditex shares. We are the third Spanish company by number of coverages.
- Over 7,000 institutional investors, owners of 36.52% of the corporate capital, play a key role in the formation of the price of the share and its liquidity.

The relevant information on the evolution of the business is notified quarterly, apart from to the CNMV, to the shareholders as a whole and the financial community and to the media, with special attention to those that are specialised in economic information. This relevant information includes the Balance Sheet, the Profit and Loss Account and the Management Report.

This same procedure is followed with the information relating to relevant events which affect the evolution of the business. This information is accessible immediately through the corporate web page and is distributed to a data base of investors and analysts with over 1,100 entries.

In the sphere of institutional investors, Inditex complements this information with the quarterly conduct of free access multi-conferences on the Internet and over the telephone to explain the quarterly results and the evolution of the business.

The presentations of annual results to analysts and investors in London and Madrid, with an audience of some 70 persons, are worthy of note. Additionally, information meetings are held in the main financial capitals and visits to corporate facilities.

Activities with Institutional Investors

a) Roadshows.

The Management carries out annually two rounds of presentations (roadshows) in which it presents the results of the first six months (spring-summer season) and of the complete year (after the autumn-winter season), visiting the main financial capitals of the world. In the course of two and a half weeks, the main investors have access, mainly by individual meetings, to the strategic vision of the management team. In these visits, direct contact is maintained with over 200 investors.

b) Sector conferences.

Another forum of communication with investors are the sectorial conferences organised by financial institutions, participating in the main events which are carried out in Europe, with an average attendance at each of them of 50 of the main institutional investors.

c) Individual meetings.

Apart from the programmed occasions, there are also a great many meetings held with investors during the financial year. If there are specific requests, visits are organised to investors in a particular country or geographical area. Over the last year, presentations have been made in the main financial capitals of Europe and Asia to over 100 institutional investors.

d) Visits of investors to the corporate facilities.

There are also numerous visits of institutional investors to the Inditex facilities to gain a deeper knowledge of our organisation, its business model and business strategy. In the course of the financial year, 2006, meetings have been held with some 57 institutional investors from all over the world. Additionally, there have been 40 video-conferences and multi-conferences.

02

Environmental Report

2.1 A Global Environmental Management System

2.2 Strategic Plan 2007-2010

2.3 Indicators System

02

Inditex's main strategic priorities include the full integration of eco-efficiency and some ambitious objectives for reducing the environmental impact of all their operations

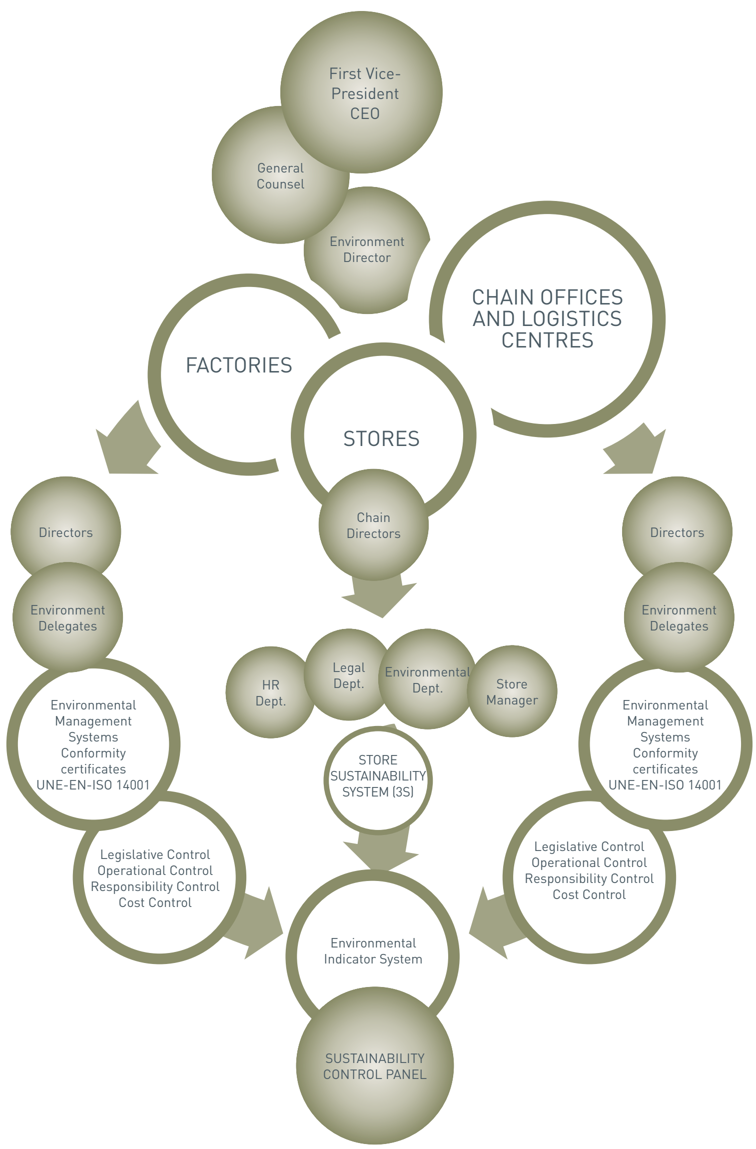
A consolidated sustainable management model

Over the past financial year we have successfully implemented, as planned, the transition from a management and legally compliant focus as indicted in the previous Strategic Environmental Plan 2002-2005, to a strategic focus where eco-efficiency, innovation and improvement are established in a solid management model, laid out in the Strategic Environmental Plan 2007-2010.

Therefore, aware of the qualitative leap which we were to make, during 2006 we have put to the test our global management system and all the staff involved, both external and internal, have obtained results which allow us to guarantee consolidation and smooth operation in all areas: head offices and logistics centres, factories, and stores. In all these areas we have completed successful internal and external audit processes, and collected emergency response data. This information provides us with a full guarantee that our new projects will be developed on a solid base.

Over the coming years, in particular in 2007 and 2008, we are committed to concentrating our efforts on store management, given the high level of growth forecast for points of sale. In order to do this, we have designed a sustainability support programme which allows us to extend effectively the implantation of the management model to new stores in all countries.

With the guarantee which we have for the integration of the environmental element into all our operations, we have commenced the development of the four large projects which make up our Strategic Environmental Plan 2007-2010: Energy and Environment Integration, Inditex Pro Kyoto, Textile Life Cycle Analysis and Store Sustainability System 3S. At these initial stages, we have put extra effort into stressing this new focus on innovation and improved sustainability to both staff and suppliers, looking for solid commitments which ensure the stable development of this unique and ambitious projects.



2.1. A Global Environmental Management System


Spring-Summer campaign_Zara Home

Fundamental elements of the system

The work of the past few years has allowed us to build up and establish a strong and efficient management system, adapted to the requirements of our complex business model, which guarantees our legal compliance and ongoing improvement.

In the framework of this management system, we carry out the following actions on a regular and well-planned basis:

- Continuous assessment of compliance with legal requirements at international level and constant application of an Environmental Indicator system at all our industrial and corporate locations.

- Full implantation and workability of software for on-line management of environmental indicators and report writing.

Twice a year, a systematic combination of independent internal and external audits is carried out for 100% of our industrial centres and chain head offices. For stores in Spain a random sample environmental assessment process is completed, which in 2006 was extended to stores in the UK and France, and during 2007 will be extended to the remaining countries.

The Waste Minimisation Plan and Package and Packaging Reduction Plan are still in force, marking new annual objectives.

- The Environmental Commitments with Suppliers are maintained and strengthened.

The environmental management system compliant with the ISO 14001:2004 standard reaching 100% of our industrial work centres (factories and logistics centres) and head offices is still in force and certified. In 2006 the Logistics Platform in León was included, and in 2007 we intend to include the Logistics Platform in Meco (Madrid).

- Environmental training continues to be provided for all new staff. During 2007 the environmental training web platform is to be re-designed, in order to make the on-line environmental awareness course available to everyone.

- In addition to training, and as an internal communication action, the corporate newsletter continues to run articles on sustainability issues.

- Ongoing different external environmental communication actions have been developed (congresses, seminars, etc.) and all demands have been addressed in respect of the environmental information received, highlighting the high number of representatives in local, regional and national government departments and agencies.

- All new industrial development projects include environmental and eco-efficiency aspects in the design phase, which are evaluated in engineering and controlled as necessary to ensure enforcement in the execution phase.

- The Control and Prevention Programme is still in force, with regular testing of our residual water and sources of emissions, in head offices, logistics centres and factories.

Our system regularly assesses our potential impact on bio-diversity and natural environment matters. At the close of 2006 we can guarantee that our activities and installations do not create effects for biodiversity, protected or restored habitats or on land adjacent to protected natural areas, or on protected species included on the IUCN red list.

Environmental policy

We think that the development of Inditex's activity should include a set of sustainable development criteria, which guarantees the proper management of resources and environmental protection, as well as meeting society's needs.

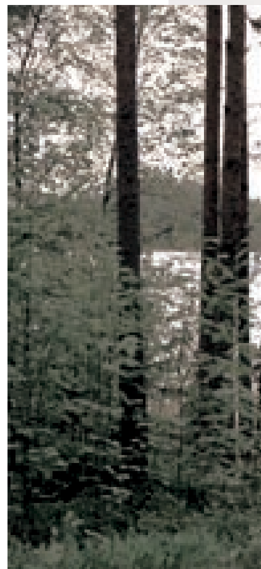
In order to put the above into practice, we undertake to fulfil and enforce the following principles, which form our environmental policy:

1. We undertake to consider the environment factor when planning and developing our activities and those of our business partners, encouraging the environmental awareness of our staff, suppliers and society in general.

2. We undertake to fulfil the environmental regulations that apply to our activities, as well as any other obligations laid down. We will endeavour to prevent pollution and reduce the environmental impact of our activities to the minimum.

3. We work towards continuously improving our Management System, thereby increasing its efficiency and ensuring a more efficient consumption of resources.

4. We undertake to inform all of our employees and society about this policy, establishing a fluid communication policy with the authorities, local communities and agencies.



The cornerstone of our environmental management system, which is the source for our strategic lines, is our company Environmental Policy.

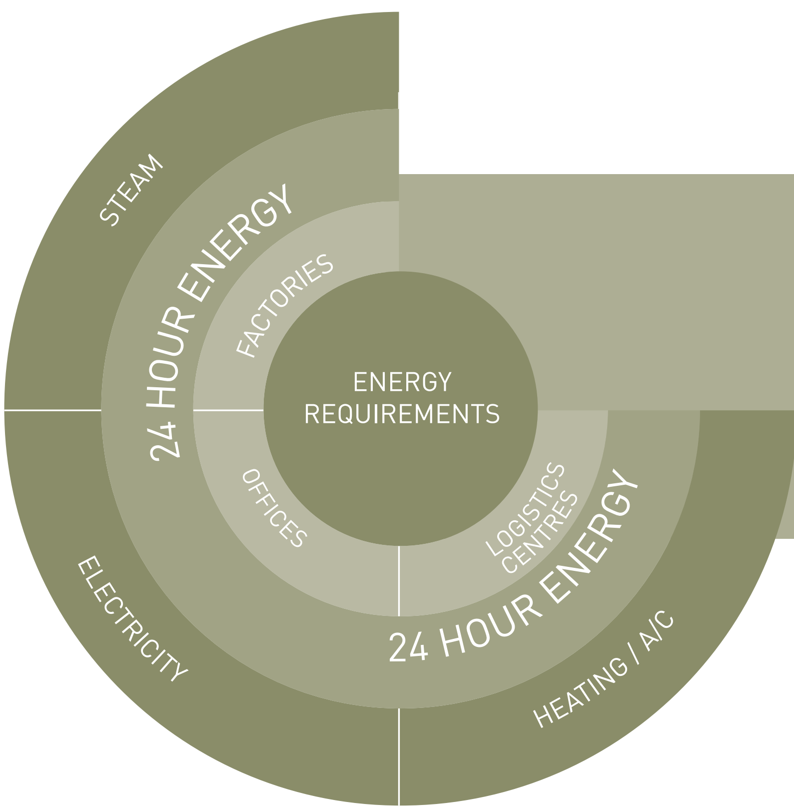
These principles apply to all of Inditex´s companies and work centres, established under an Environmental Management System in accordance with the ISO 14001 standard at the head office, logistics centre and factory in Arteixo, and in the factories in Narón and Ferrol, all in La Coruña (Spain); as well as in the head offices and logistics centres for the Zara España, Zara Home and Kiddy´s Class chains in Arteixo; Pull and Bear in Narón; Massimo Dutti, Bershka, Oysho and Kettering in Tordera; Stradivarius in Sallent and the Plataforma Europa in Zaragoza, all of these in Spain.

Our energy integration model

Our business model

In Arteixo (A Coruña), we have the Inditex Head Office, the head offices for the Zara, Zara Home and Kiddy's Class chains, eleven textile factories and one of our largest logistics centres. This means that all the phases of our business model are integrated in one single location: design, group controlled manufacturing, logistics and central support services.

Each of these installation has different energy requirements, according to their working hours and operational needs: heating and air conditioning in offices, factories and logistics centres, electricity and steam for cutting benches and pressing machines, or 24 hours energy for the logistics centre...



Our energy model at Arteixo

We are facing this operational situation as a challenge for the implantation of a sustainable and efficient energy model, which guarantees that all our energy requirements are covered, giving priority to the integration of our own sources of renewable energy, with a high level of energy efficiency.

The outcome of this strategy has allowed us to set up in Arteixo a 5 MW natural gas tri-generation plant, a 1500 m^2photothermal solar energy accumulator, an 850 Kw eolic wind turbine and a 31.74 Kwp photovoltaic solar energy system. Each of these provides energy for our requirements, managed by an Integrated Control System which focuses on energy efficiency, prioritising the consumption of energy from renewable sources.

The technological solution for trigeneration and efficiency

Natural gas tri-generation (for electricity, hot and cold water and steam) improves the efficiency of the electricity production process, as over 4/5 of the fuel energy is converted to usable energy compared with 1/3 on conventional plants, which is translated into both financial and environmental benefits:

- It allows a reduction in fuel consumption, which also leads to a reduction in contamination in the same proportion

- A reduction in loss of electrical energy in transit, as it is generated in the same place as it is consumed

- In comparison to a conventional system we obtain a reduction of 64% in CO_2 emissions, 73% in NOx, 99% in SO_2, and particle emission is reduced to zero.

The head office at Arteixo has a 5 MW natural gas tri-generation plant which provides electricity, hot water for heating, cold water for air conditioning and steam for pressing machines.

Installation of photothermal solar energy

The existing installation is based on a system consisting of hot air-water pumps, which handle the needs of the Inditex Head Office using four-tube heating systems.

The purpose of this installation is to substitute the electricity used by the heating pumps for the production of hot/cold water through solar panels, which work by heating a water circuit (photothermal solar energy).

The optimum surface area for meeting our requirements for comfort, economy and environmental protection is 1,500m² of flat thermal solar panels, installed on the roof of the head office building.

This solar energy installation allows us to save a total of 565,000 KWh per year, which represents a saving of 15% on the air-conditioned energy required, preventing the emission of 262 mT of CO_2 and other contaminating gases.

Eolic energy installation

We run an wind turbine with a nominal power of 850 kW, in operation for an estimated 1,500 hours per year.

This produces 1,290 MWh per year, which is enough to provide the energy necessary for the production processes at three of the Inditex textile factories in Arteixo. This saved energy is equivalent to substituting 111 tonnes of crude oil.

2.2 Strategic Plan 2007-2010

Autumn-Winter campaign_Massimo Dutti

2.2 Strategic Plan 2007-2010: Innovating in sustainability

Strategic Environmental Plan 2007-2010			
IEMA	**IPK**	**ACVTEX**	**INDITEX 3S**
Environmental and Energy Integration	Inditex Pro Kyoto	Textiles Life Cycle Assessment	Store Sustainability System

The IEMA Project (Environmental and Energy Integration)

Environmental and Energy Integration

This is the putting into practice of our commitment to sustainability, incorporating renewable energies and energy efficiency plans at all our installations.

The purpose of this project involves the integration of the efficient energy consumption variables, renewable energy sources, atmospheric emissions and climate change within a sole management model that will allow the control and coordinated implementation of decision making processes, for all of these.

The IPK Project (Inditex Pro Kyoto)

Inditex Pro Kyoto

This is the putting into practice of our commitment to sustainability, climate change and the Kyoto agreements, in our transport and logistics areas.

ACVTEX Project

Textiles Life Cycle Assessment

Designed to improve the eco-efficiency of our processes and products.

3S Project

Store Sustainability System

Defined to guarantee correct and sustainable environmental management in our stores, from their design to their daily operation.

Spring-Summer campaign_Zara Home

The IEMA Project
Environmental and Energy Integration

1 Strategic Objectives

- To optimise and minimise our global energy consumption, in particular reducing the use of fossil fuels (oil).

- To install our own sources of renewable energy (wind power, photothermal and photovoltaic solar power), to substitute the use of fossil fuels.

- To minimise direct and indirect emissions of Greenhouse Gases (GHG) generated by our business activity.

- To develop compensation mechanisms for the emissions of GHGs.

2 Lines of action

- Development of our own energy supplies from renewable sources (wind power, photothermal and photovoltaic solar power).

- Minimisation of emissions by substituting fuel (conversion of tri-generation motors and boiler burners to natural gas).

- Integration and Optimisation of our own energy production for process electricity, heat and steam (tri-generation plants).

- Development of projects for the compensation and collection of CO_2.

- Awareness of company staff regarding the rational and efficient use of energy (energy web and corporate newsletter).

3. Results for 2006 and objectives for 2007

- Technical development and approval of a project for a 3.08 MWp photovoltaic solar installation at the Meco Logistics Platform, which will enter into operation in 2007.

- Technical development and drawing up of preliminary projects for photovoltaic solar energy installations at the Europe Logistics Platform in Zaragoza (2.5 MWp [1]) and at the León Logistics Platform (0.57MWp). During 2007 the definitive projects will be completed, with installation and operation forecast in 2008-2009.

- Incorporation, already at the design stage, of criteria for efficient energy use at the installations set up in 2006: The Logistics Platforms at León and Meco, which adopt modern insulation elements, centralised air conditioning control, efficient lighting, function programming...

- Energy audits have been completed by an external company, which has allowed us to assess all the energy flows involved in our operations on our own industrial and logistical sites over three years old (Arteixo, Zaragoza, Tordera). The conclusions and improvement plans resulting from these audits are currently underway, due to be completed in the first quarter of 2007, the key points of which are:

    - The development of a plan for substituting conventional reactances for electronic reactances at the Arteixo Logistics Centre, which results in a 25% saving on energy consumed.
    - The review of industrial equipment in order to optimise the production of compressed air.
    - The modification of the management model, in order to give managers control over consumption and involve them in the processes and cost control.
    - The promotion of good practice at all company levels, supported by the corporate newsletter.

(1) Peak Megawatt: this is the maximum production obtainable by a photovoltaic solar panel installation

IPK Project
Inditex Pro Kyoto

1 Strategic Objectives

Given the relevance of logistics operations in our business model, the IPK project has the following objectives

- To control and reduce direct Greenhouse Gas emissions resulting from our logistics and distribution activities, in collaboration with subcontractors.

- Reduce the level of GHG emissions associated with staff travel.

- To develop compensation mechanisms for the emissions of GHGs.

2 Lines of action

- To reduce GHG emissions from our transport fleet by using bio-diesel as fuel

- Training in efficient driving for professional drivers

- Awareness of all company staff and encouragement of sustainable transport practices

- Incorporation of ecological electric vehicles for movement within factories and logistics centres.

Bio-diesel distribution stations are located near the main logistics centres in Arteixo (A Coruña), Zaragoza and Meco (Madrid)

3. Action in 2006 and objectives for 2007

In the area of reduction of emissions, during 2006 we reached agreements with our main logistics providers, both for road and air transport, which will be put into practice during 2007 (it should be noted that none of the companies in the Inditex Group have their own transport fleet).

Since January 2007 the following lines of action are underway:

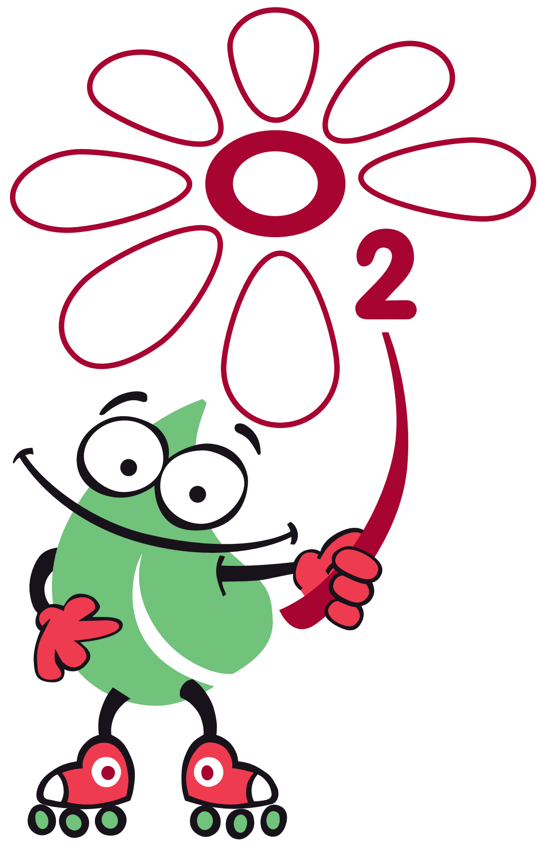
1 The Inditex biodiesel scheme

- To control and reduce GHG (Greenhouse Gas) emissions, in particular CO_2, resulting from the use of fossil fuels (oil) in the fleet of trucks which are used for logistics and distribution for Zara (this is 60% of our total distribution). This will be achieved by substituting 5% of conventional fuel for bio-diesel, which does not require technological adjustments to the vehicles.

In 2007 this will be applied to the entire fleet of vehicles transporting goods from our logistics platforms, and over the following years will be extended to the remaining transport routes. The objective is to reach 100% implantation by 2010.

- The critical factor for the development of the project is the availability of a bio-diesel supply network at loading points and on transport routes.

- In order to resolve this problem bio-diesel fuel pumps will be provided at departure points (A Coruña, Zaragoza and Meco), and European routes will be designed to take bio-diesel fuelling points into consideration.



2 Modern vehicles and training in efficient driving

Regardless of the fuel used, energy consumption in the professional transport sector represents 15% of the total national energy consumption, and it is estimated that for each litre of fuel consumed, 2.6 Kg of CO_2 is produced.

In order to minimise consumption globally we have drawn up a Work Schedule with our logistics providers with the following undertakings:

- All vehicles in fleets serving Zara will comply with the EURO 5 directive (the strictest regulation on NOx, HC, CO, particle and fume emissions).

- All staff will receive training in Efficient Driving, which will permit a reduction in fuel consumption of between 7% and 10%, depending on the different routes.

What are the advantages of bio-diesel for the environment?

- Alternative to oil based fuels
- Source of renewable energy (biological cycle, can be replanted)
- Diminishes the greenhouse effect, by reducing CO_2 emissions (The biological cycle in the production and use of bio-diesel reduces emissions of carbonic anhydride by 80% and of sulphur dioxide by almost 100%)
- Non-toxic and biodegradable fuel
- Reduces emissions of other contaminating substances such as SO_2 (acid rain) and CO_2
- Alternative for development and employment in rural areas
- Provides a use for excess agricultural production
- Provides a use for agricultural organic waste

3 Substitution of maintenance staff vehicles at factories and logistics centres for ecological, electrically powered vehicles.

The large size of our logistics centres and factories, and the need to respond swiftly in case of incidents in production, mean that we must keep our own highly mobile equipment. The Scheme sets forth the substitution of petrol-run vehicles for electrically powered, zero emission vehicles, which entered into use in January 2007.

4 Awareness and training programme for all staff.

The objective is to cause a positive change in transport practices among our staff around the world, and for this purpose Good Practice in Transport and Sustainable Travel Manuals are under development. These manuals form part of our Corporate Training Schemes and will be put into practice for all personnel, including new staff. In parallel to this, awareness messages are being sent out through our corporate newsletter, with support from our environmental mascot, Grindi.

Presentation of the project in the corporate newsletter in order to inform and encourage awareness throughout the Group, making our employees part of the initiative through the distribution of personalised stickers with the logo and scheme image.

ACVTEX Project:
Textiles Life Cycle Assessment

1 Strategic Objectives

To define the main variables to be studied, and design a simplified analysis tool that would allow us to homogeneously assess our production using criteria for sustainability. This assessment analysis will include efficiency in the consumption of production resources, use of substances in fabrics and the optimisation of production processes.

2. Action in 2006 and objectives for 2007

In October 2006 we completed the research phase and the design of the environmental life cycle analysis of some types of garment produced in our factories. This provided us with the main variables (efficiency in the consumption of productive resources, optimisation of productive processes) which allow us to define a simplified analysis tool which will be implemented in the second half of 2007. We estimate that it will be applied to all our own manufactured products by the end of 2008.

3S Project
Store Sustainability System

1 Strategic Objectives

- To extend the integration of the environmental variable to the entire Inditex business model

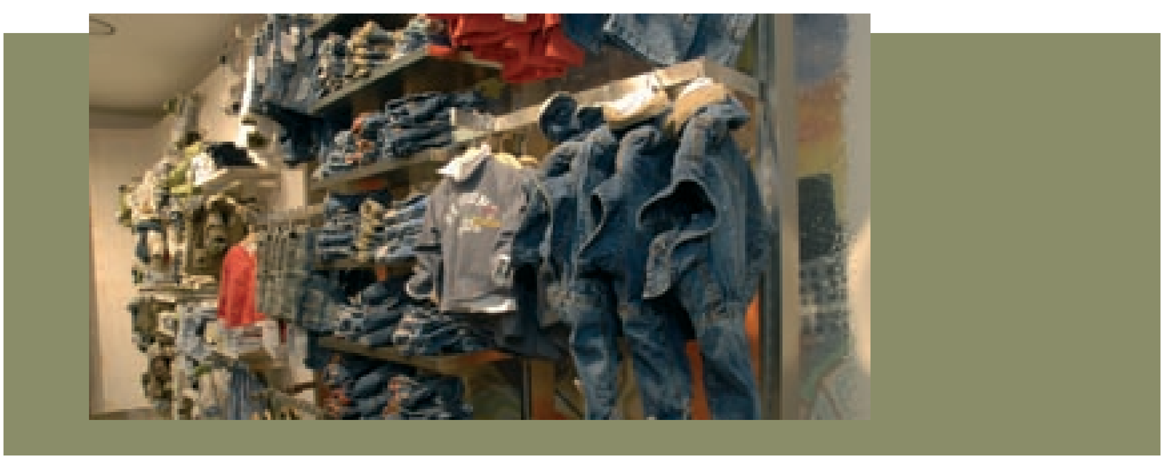
- To guarantee compliance with legal requirements in Stores

- To optimise environmental management costs in Stores

- To promote awareness and involve Store staff in the Inditex environmental management model.

- Include the supply chain in environmental agreements, ensuring that each party accepts the relevant costs of environmental management

- Guarantee the obtaining of indicators and reliable data for the Sustainability Control Panel



Characteristics

- Simple and applicable to existing management
- Modular and Flexible
- Exportable to any country
- Economical to implement
- Can be verified by third parties

Action

	Legislation	Training	Management	Indicators
Strategies	Ensure Control and compliance with the law	Training and Awareness of Store Staff	Optimise Environmental management and Prevent Environmental Risks	Control of Environmental Parameters and Costs
Actions	- Update of Legal Obligations by Town/ Region/Country	- Good Practices Manual - Welcome Plan Training - Awareness via corporate newsletter	- Development of Procedures - Auditor Plan	- Sustainability Indicator System
Documents	- Legal Obligations Report - Monthly Update	- Environmental Guide for Stores - Good Practices Manual - Magazine Articles	- Management Procedures - Sustainability Audit Model	- Sustainability Indicators Control Panel
Responible parties	- Legal Dept. - Environmental Dept.	- HR Dept. - Environmental Dept.	- Environmental Dept.	- Environmental Dept.

2. Action in 2006 and objectives for 2007

The start of Project 3S has led us to work initially on design and store management criteria, applying a focus on sustainability and eco-efficiency The results of this work, which began to be implemented in the second half of 2006, are as follows:

- Reduction of store window lighting hours, with an estimated reduction of 10% in energy consumption and direct emissions.

- Modification of design criteria, selecting more efficient lighting systems, which allow a reduction in the consumption of energy and materials. This is being applied to the opening of new stores.

- Readjustment of comfort elements in stores, in order to reduce variations in temperature and its effect on consumption. This began to be implemented in all stores during the second half of 2006.

- Specific training for store staff, both for existing and new employees, as part of their specific training manuals.

2.3 Indicators System

Spring-Summer campaign_Zara Home

2.3 Indicators system

As in past years, we continue to present the data in relative (the number of items put on the market) and absolute terms, since we believe that this offers a better picture of the real situation. Given the growth in our production, the relative indicators allow us to assess our environmental efficiency, showing whether we reduce our environmental impact for each item put on the market.

The ratio has been calculated by obtaining the quotient between the absolute annual value of each consumption or emission and the number of items placed on the market, as the indicator for the total volume of Group activity, and by multiplying the result by one thousand in order to obtain a more manageable figure.

Number of items put on the market

Energy consumption and atmospheric emissions

Our energy supply system receives an important contribution from our own sources (tri-generation plants and boilers for our factories and logistics centres), over which we maintain an exhaustive control over emissions and an energy efficiency and minimisation plan, a key point of which is replacement with sources of renewable energy and natural gas, which allows us to reduce our emission levels significantly.

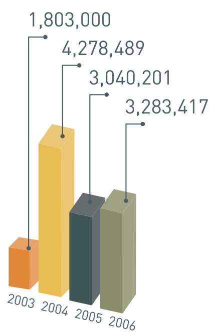
As regards external generation sources (mains electricity), which mainly supply stores, the electrical system does not allow us to control the origin of this energy, and emission data is therefore based on an estimate, according to bills received from energy suppliers.

Energy consumption indicators

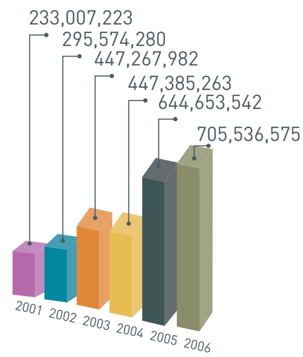
Comparison of annual evolution of energy consumption.

The highest consumption of energy from the public network is caused by the increase in the number of stores at global level. The indicators also reflect our lower diesel-oil consumption due to its replacement with natural gas.

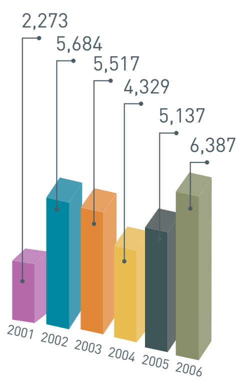
Renewable energies
Kwh (1 Kwh = 3.6 x 10^6 joules)



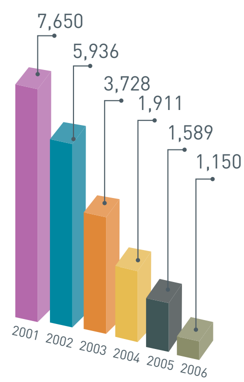
Electricity (public network)
Kwh



Consumption of natural gas
Tep (1) (1 Tep = 41,84 x 10^9 joules)



Diesel-oil consumption
Tep (1)



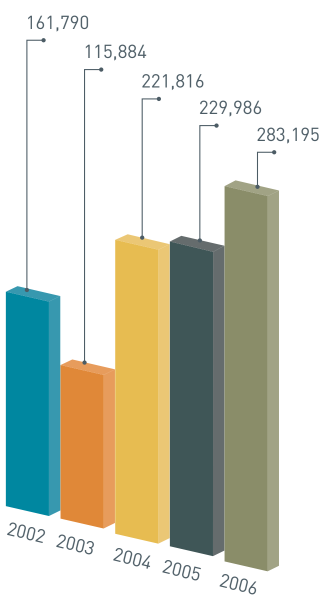
Includes industries and stores throughout the world.
(1) Tep: tonnes equivalent petroleum


Stradivarius_Portal de l'Àngel_Barcelona_Spain

Water consumption and management

In the case of factories and logistics centres, water consumption data is taken from direct consumption measurements and from supplier bills (public supply networks). In the case of stores, the data is obtained by sampling supplier bills for a group of stores and extrapolating them to the total number of stores.

Water consumption (m^3)



Period 2002-2003: Only includes consumption at logistics centres and head offices
Period 2004-2006: Includes consumption at logistics centres, head offices and stores

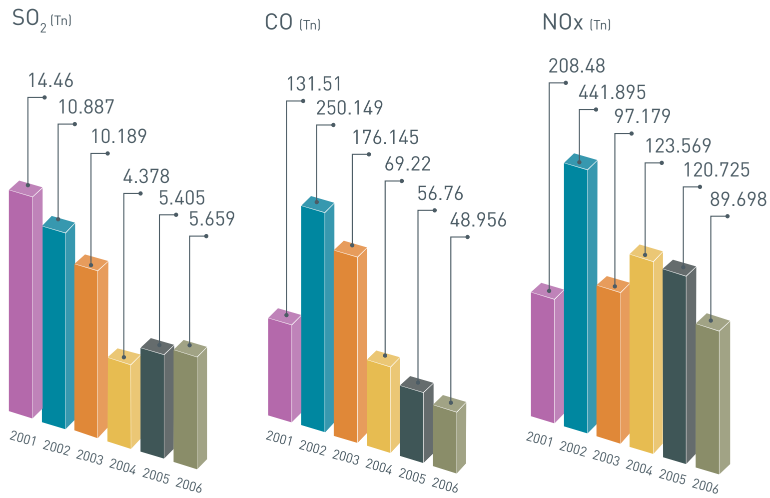
Water for both processing and consumption at all our centres is obtained from public supply networks, and we therefore cannot influence water sources nor protected habitats.

The nature of our business, in which the large proportion of water is required in small quantities in stores for cleaning and consumption, means that recycling and reuse is not feasible. In the industrial area, the main water requirements are the generation of steam and industrial refrigeration in a closed circuit, where recirculation systems are applied, meaning that the amounts of waste water are not significant enough to warrant the implantation of recycling processes.

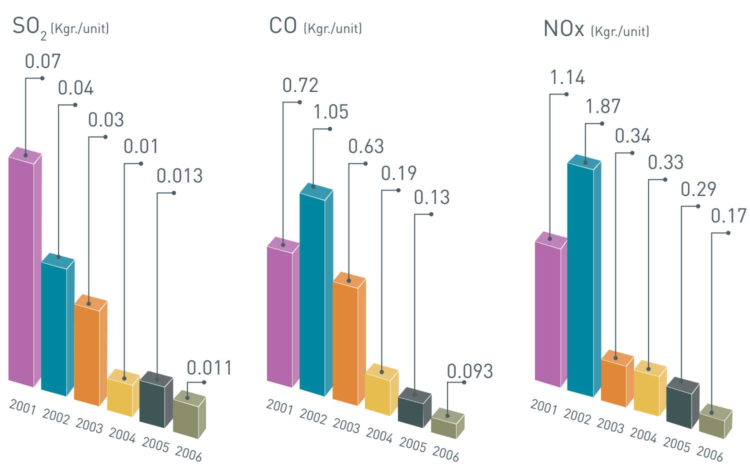
Furthermore, waste water from all of our sites is deposited into sewage systems, with the relevant administrative authorisation in all cases. This means that frequent analyses are conducted to guarantee fulfilment of legislation in force, not requiring specific treatment processes in any case due to the low level of pollution.

Air Emissions Indicators

Annual evolution of atmospheric emissions in manufacturing and logistics centres



Indicators in relative terms according to the items place on the market

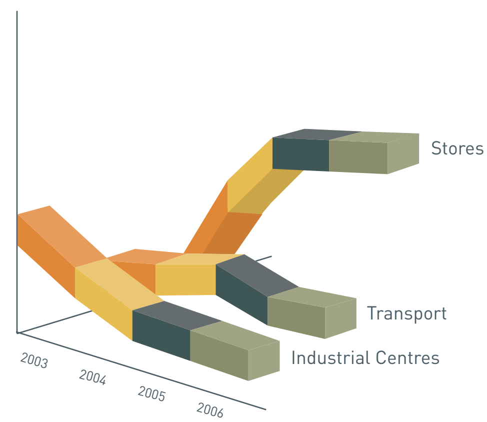


Includes head office, and all Inditex factories: (Choolet, Denllo, Fios, Glencare, Goa, Hampton, Kenner, Nikole, Samlor, Sircio, Stear, Trisko, Zintura, Inditex Cogeneración) and the head offices and logistics centres for Zara, Zara Home, Kiddy's Class, Pull & Bear, Bershka, Oysho, Massimo Dutti and Stradivarius. All emission sources undergo strict and frequent controls by an authorised inspection company, each in accordance with the parameters established by legislation in force. The data shown here has been taken from the analysis of these reports.

Greenhouse Gas Emissions

The emissions data for industrial centres and stores is obtained from the emissions equivalent to electricity consumption. Emissions data related to the emissions for the transportation of our distribution operations are calculated according to the number of kilometres travelled (either on short, medium and long haul air routes, or truck routes), estimating the values with the criteria accepted by the international community (IPPC).

CO_2 emissions

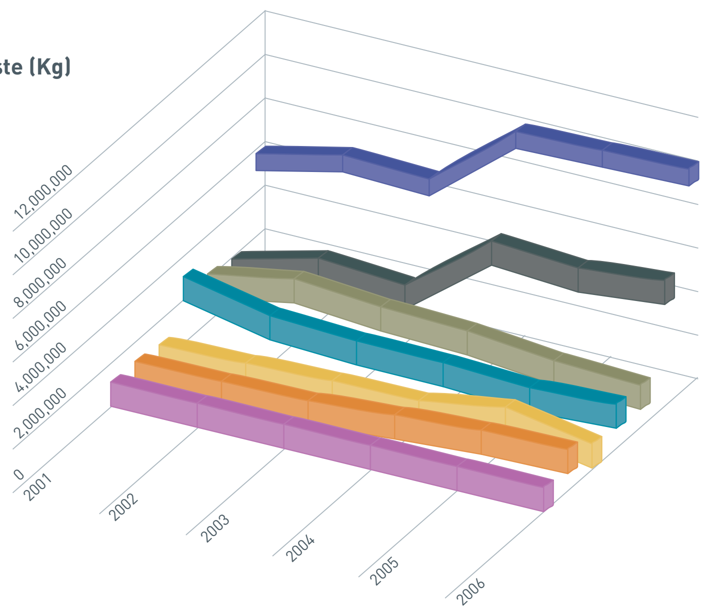


Item	T CO_2
***Industrial Centres:**	
Per Natural Gas Consumption	14,929
Per Propane Consumption	25
Per Diesel Oil Consumption	3,531
Per Electricity Consumption	17,747
Total for Industrial Centres	**36,232**
***Transport:**	
Emissions caused by transport	34,203
Total for Transport	**34,203**
***Stores:**	
Per Electrical Consumption in Stores	306,800
Total for Stores	306,800
Total	**377,236**

Waste Indicators

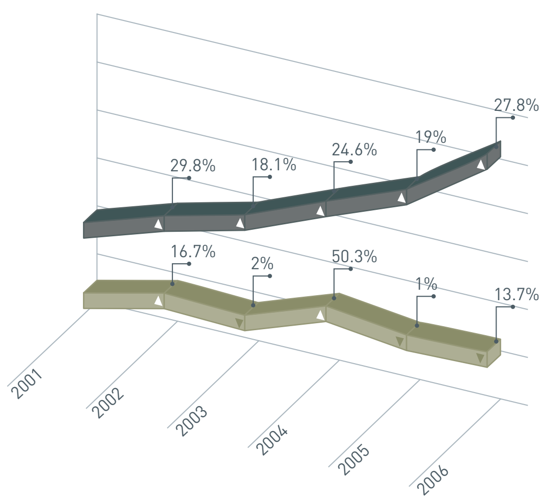
The efforts of the Waste Minimisation Plan, in force since 2003, has allowed us to slow down the relative growth trend, bearing in mind the strong growth we are experienced.

Evolution of generation of industrial waste (Kg)



- Cardboard and paper
- Textile waste
- Other urban waste
- Plastic
- Wood
- PRs
- Total

Comparison of items placed on the market with total industrial waste generated

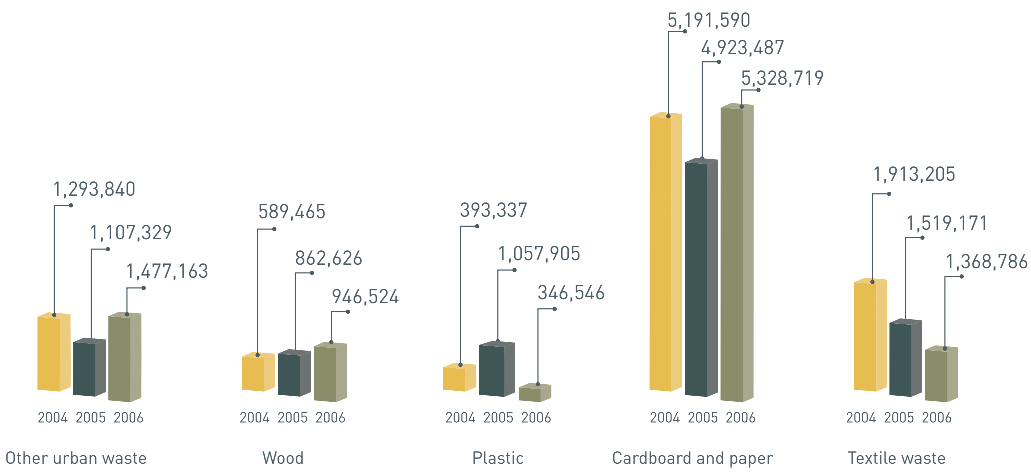


- Total waste for Industrial Centres
- Total items placed on the market

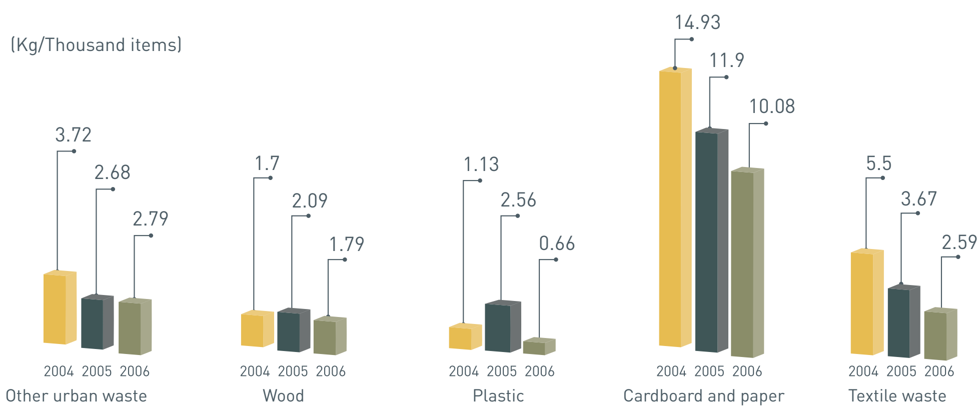
Increase of industrial waste generated during the period 2002-2006: 26.6%

Increase in the number of items placed on the market during the period 2002-2006: 123.8%

Comparison of annual generation of urban or similar waste
Absolute data (kg)

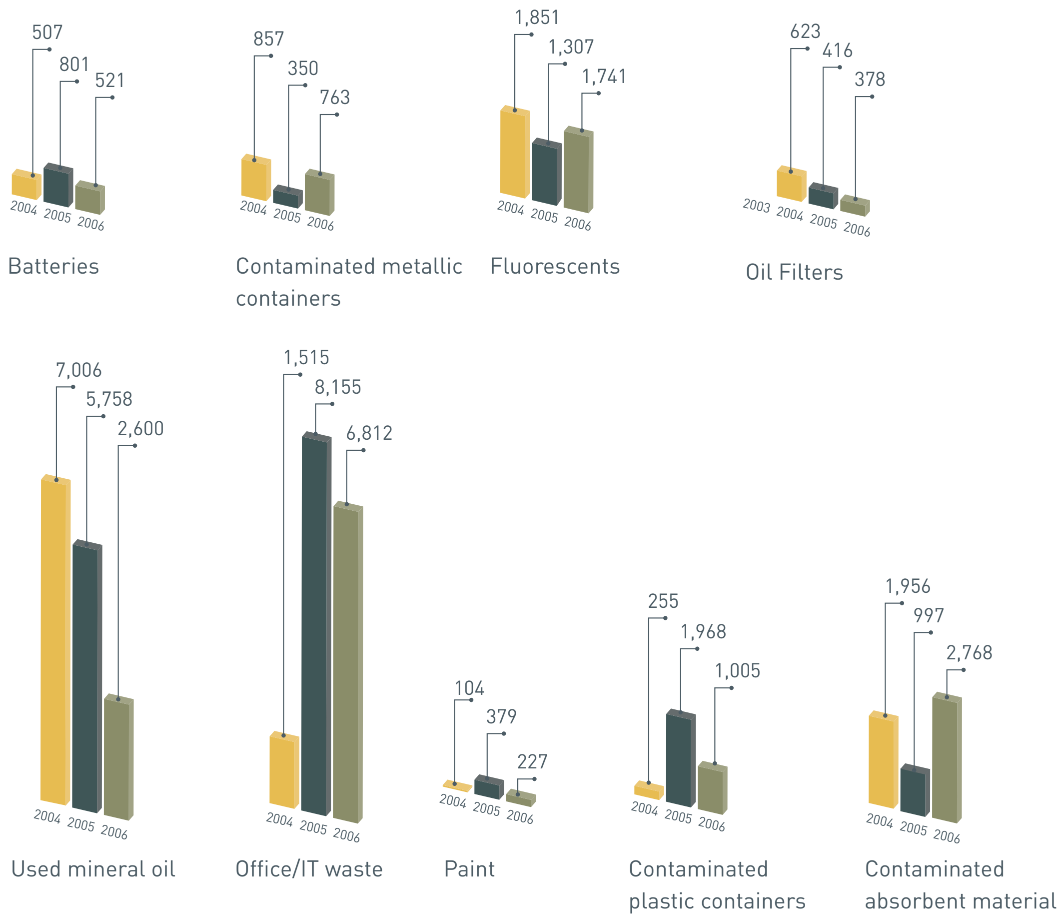


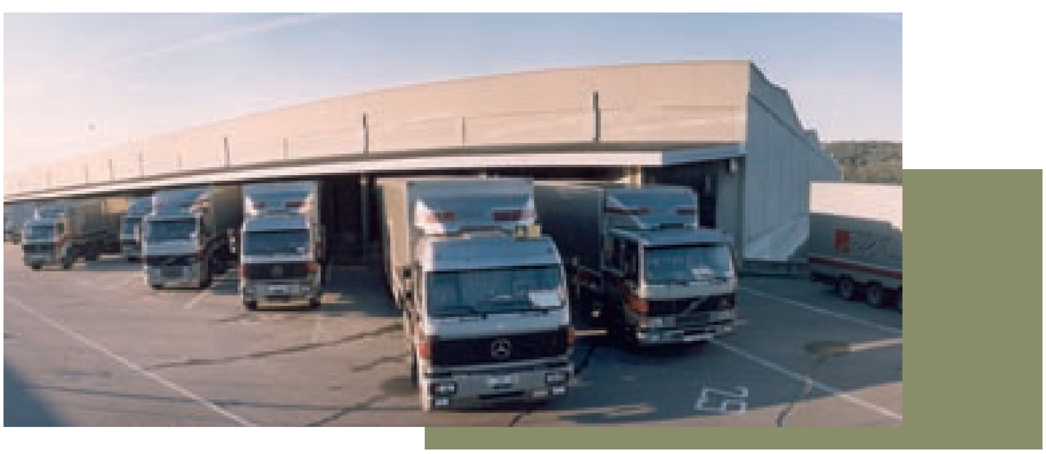
Relative data according to nº of items manufactured



The waste is classified in accordance with the European Waste Catalogue (EWC) and its transposition into national and regional legislation.

Comparison of annual generation of toxic waste (Kg)

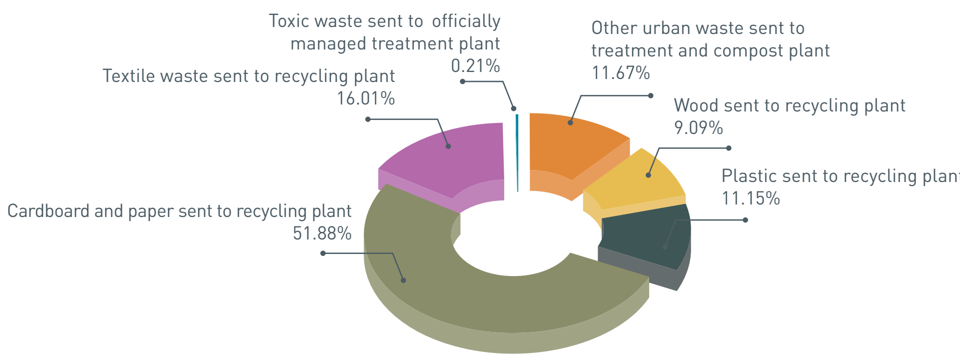




Destination of waste by type and treatment

The last stage of our Waste Plan is firm support for recycling, as shown in the following graph. The graph reflects the percentage represented by each waste type on the total waste generated, and its destination. We can guarantee that over 88% of the waste we generate is recycled.

Industrial and logistics centre data

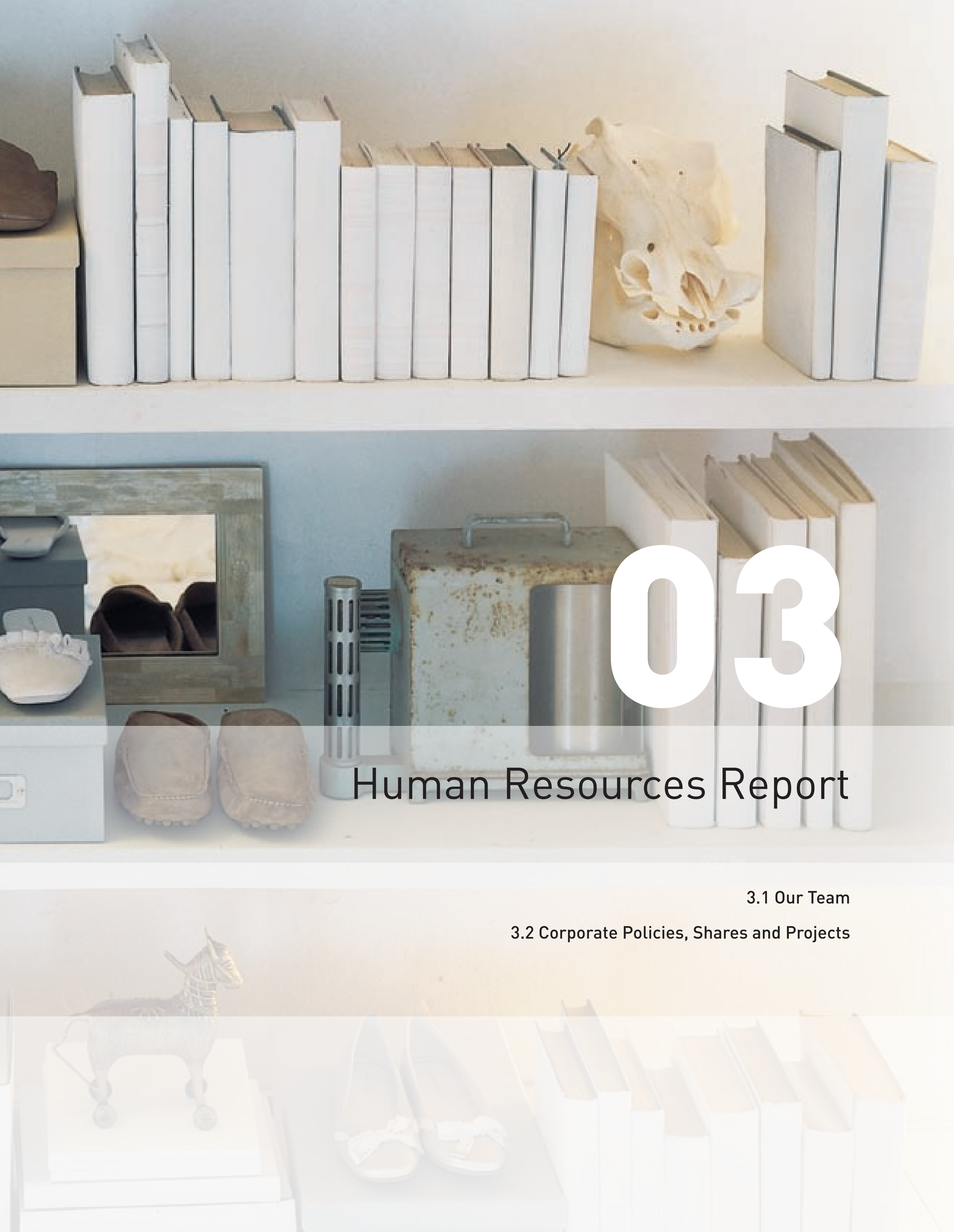


Given the nature of our business it is not feasible to treat waste "in situ" at our installations and stores. All generated waste is therefore collected and transported, by authorised operators, to the relevant treatment plants and sites.

As regards the recovery of products on the market, it is not feasible to evaluate the volume generated and the processes completed around the world, as there is no specific collection and treatment system for textiles.

As regards packaging materials used on the market for our products (cardboard and plastic bags, labels, protective elements), we can guarantee appropriate handling for 80% of our world operations. These guarantees are provided by our adhesion to the Integrated Container and Packaging Systems in the different countries where we operate, where this is available. Adhesion to these systems means that each Inditex chain pays a not-for-profit agent the cost of collecting and handling waste generated by our store sales. This handling agent, established and recognised by the authorities in each country (for example, in Spain it is Ecoembes), guarantees that the equivalent waste generated by customers buying our products is collected, handled and recycled appropriately.

Since May 2006 Inditex has modified the anti-theft alarm system, at the same time implanting a new procedure for the collection and recycling of alarm tags. This initiative allowed almost 41 million tags to be recycled during the first six months of the project, which is about 285.400 kilos of plastic, steel and other elements which were separated, recovered and turned into new materials used in stores.



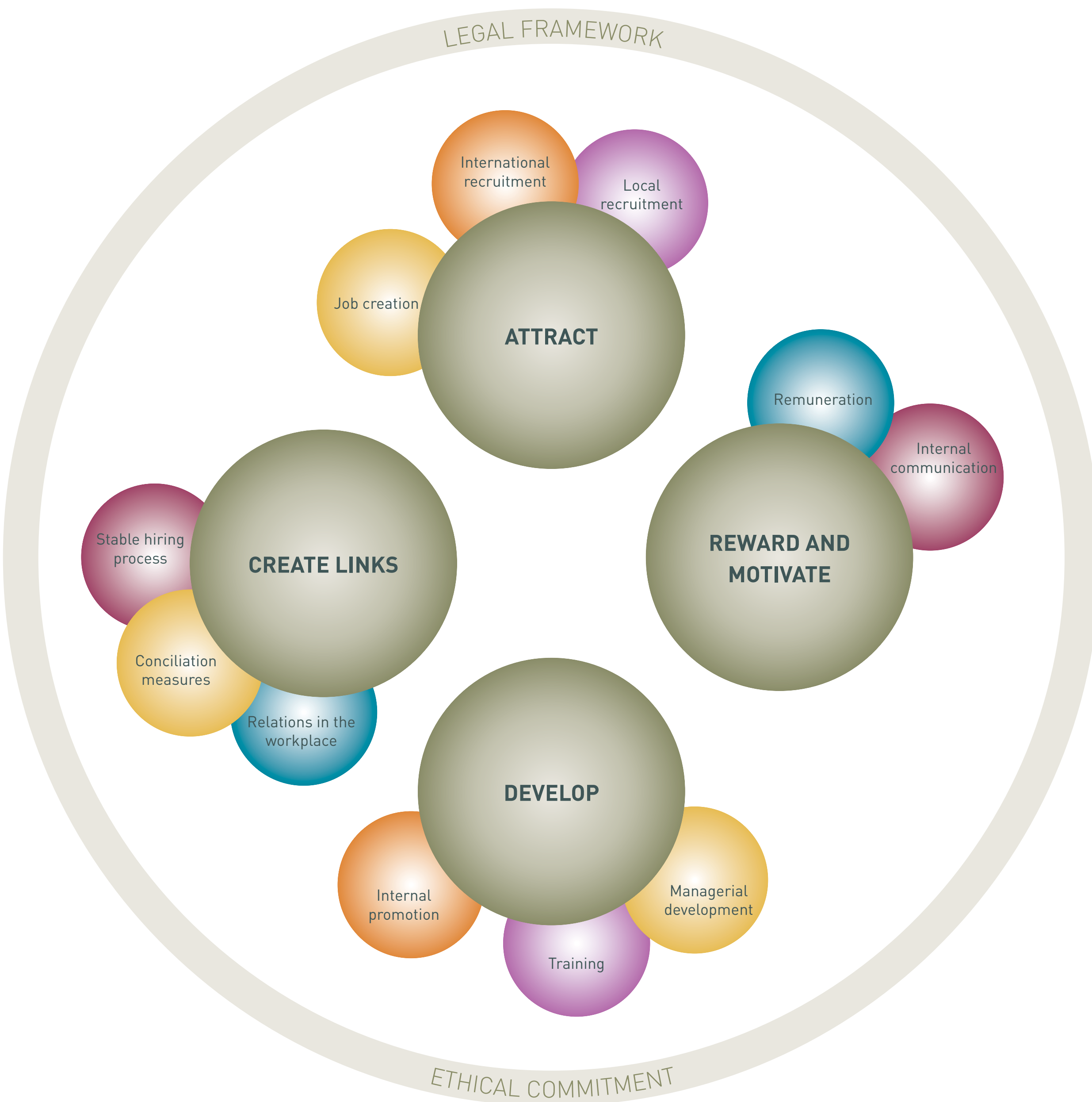
03

Human Resources Report

The continuous **motivation** of the **people** who make up our organisation is our principal **goal**. Inditex is committed to **creating** a framework for **relations** that allows **the professional** interests of our employees **to be reconciled with** their **personal interests**, developing their **capacities** and **rewarding them** for their **efforts**.

The human resources model

The growth of Inditex as an organisation and its international dimension shape the company's human resources policies. In order to grow through the people that make up the organisation, the function of human resources focuses on attracting and hiring people, creating solid links with them, and on the application of the policies and motivational programmes that have internal promotion and development as their principal targets. With its employees, Inditex is building a framework for relations that is based on mutual trust and responsibility.



3.1. Our Team

By the end of 2006, the Inditex Group had increased its staff by 11,050.

Inditex has an international staff - half of its employees work outside Spain -the majority of whom are female-82,8%, and young -with an average age of 26 years.

As on January, 31st 2007, Inditex had a staff of 69,240 people.

3.1.1. The international dimension

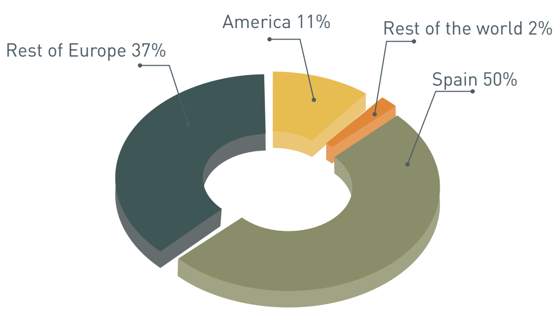
As a result of the international expansion of the different sales formats, the Inditex Group has professionals from various different origins and nationalities on its staff, with the composition becoming more and more heterogeneous each year, remarkable in its diversity.

This financial year, the number of employees working in Spain was equivalent to the number working abroad.

The constant trend is the strong growth of employees in the larger European markets, where our network of stores in all formats is undergoing expansion. The levels of growth in these markets is surpassing the level of growth in Spain. An analysis per geographical area reveals that 87% of our employees work in Europe.

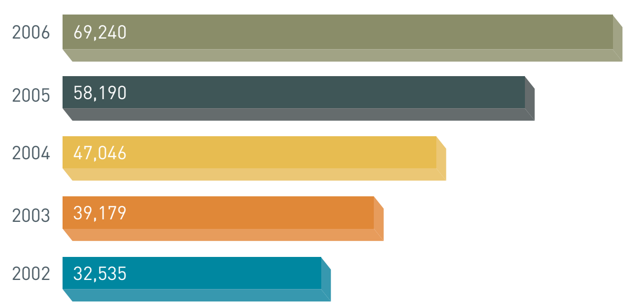
The growth in the activity in Europe has resulted in eight European markets, apart from Spain, having over 1,000 employees.

Employees per geographical area in 2006

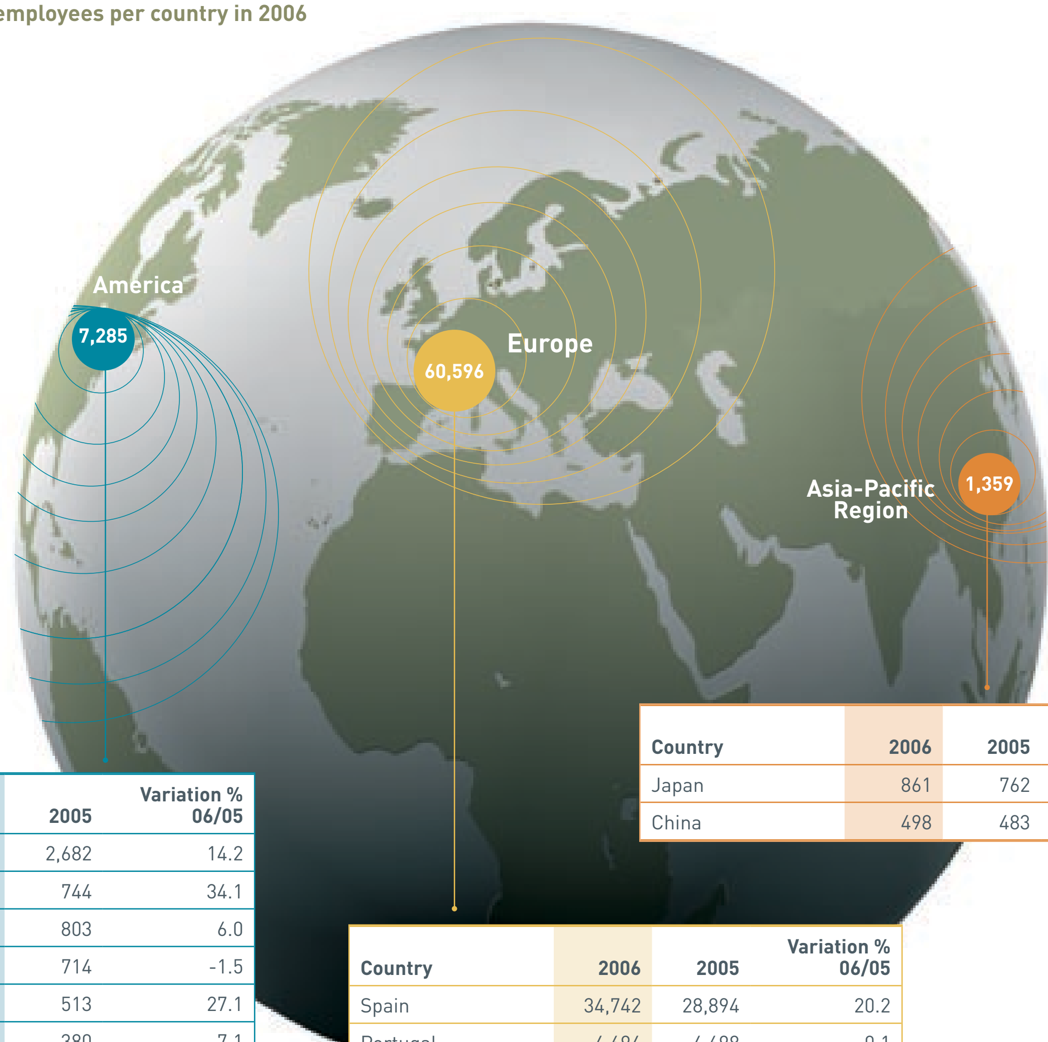


An analysis per geographical area reveals that 87% of our employees work in Europe.

The growth in the total number of employees



No. of employees per country in 2006



Country	2006	2005	Variation % 06/05
Mexico	3,064	2,682	14.2
USA	998	744	34.1
Brazil	851	803	6.0
Venezuela	703	714	-1.5
Canada	652	513	27.1
Argentina	407	380	7.1
Chile	380	418	-9.1
Uruguay	167	122	36.9
Puerto Rico	63	63	0.0

Country	2006	2005	Variation % 06/05
Japan	861	762	13.0
China	498	483	3.1

Country	2006	2005	Variation % 06/05
Spain	34,742	28,894	20.2
Portugal	4,694	4,698	-0.1
France	4,036	3,599	12.1
Italy	2,897	2,236	29.6
UK	2,535	2,273	11.5
Greece	2,487	2,302	8.0
Germany	2,273	1,837	23.7
Russia	1,159	0	
Turkey	1,116	850	31.3
Belgium	878	811	8.3
Poland	751	561	33.9
Ireland	610	423	44.2
Holland	466	422	10.4
Austria	410	323	26.9
Switzerland	372	373	-0.3
Sweden	356	298	19.5
Czech Republic	276	192	43.8
Hungary	174	126	38.1
Denmark	155	144	7.6
Norway	115	33	248.5
Luxembourg	66	75	-12.0
Monaco	28	36	-22.2

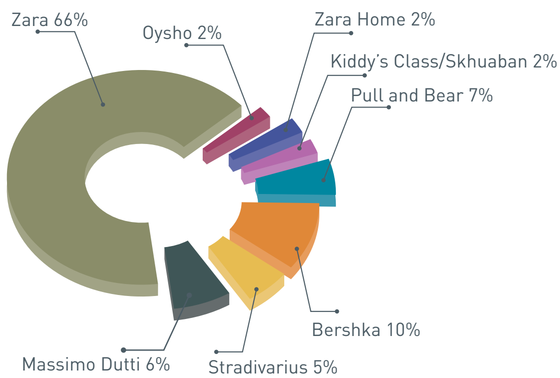
3.1.2. Staff profile

87% of Inditex Group employees normally work in a store. An analysis per sales format reveals that Zara employees represent 66% of the total.

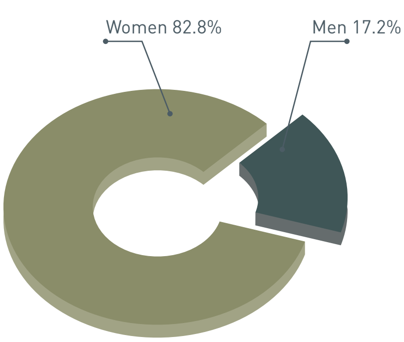
This growth is mostly due to the hiring of employees as a result of the opening of new stores, but also as a result of staff increases in other areas of business.

Women represent the vast majority in all spheres of activity and the average age of staff members is still 26 years.

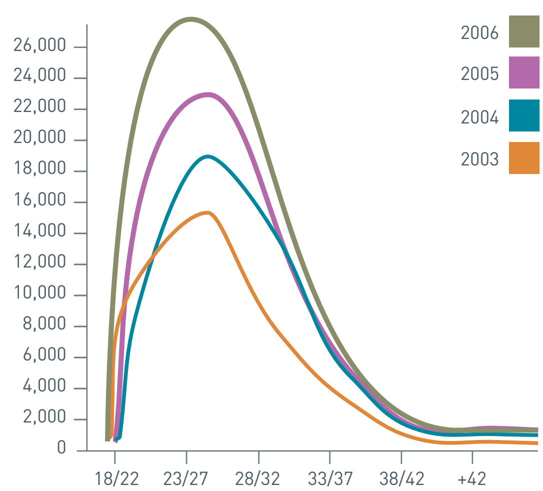
Employees per sales format in 2006



Employees by sex in 2006



Employees by age

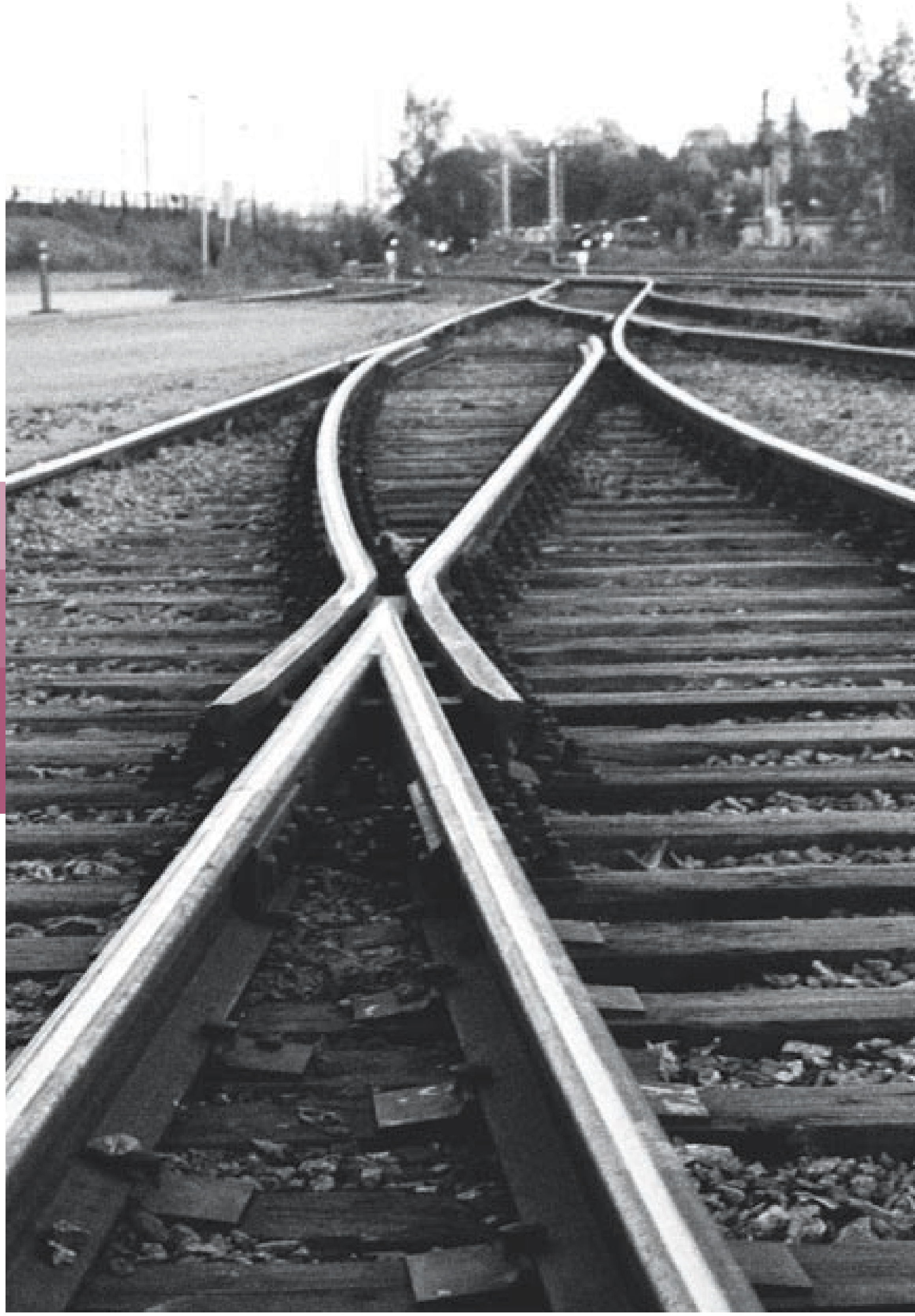


Staffing costs			
In millions of Euro	**2006**	**2005**	**Var% 06/05**
Fixed and variable salaries	1,019.6	842.5	21.0
Social security contributions by Inditex	231.2	194.1	19.1
Total staffing costs	**1,250.8**	**1,036.6**	**20.7**

3.2 Corporate Policies, Actions and Projects

Thanks to our global corporate directives, we adapt to the local reality of other markets in which the Group operates as well as adapting to the expectations of the different groups within our organisation. The flexibility of the organisation and the commitment of our employees are the best guarantee of growth.

This financial year, the creation of stable employment and the development of conciliation measures have been at the heart of our human resources policies.

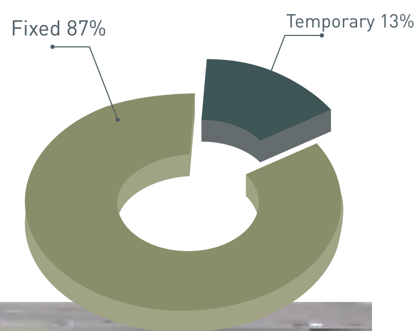


3.2.1. Creation of stable employment

The incorporation of people into our organisation is associated with the creation of new workplaces - above all stores - and the expansion of our existing stores to continue the development of our business activities. In 2006, the Group created 11,050 new positions. The growth experienced in the commercial and logistical areas is particularly noteworthy. During 2006, 439 new stores were opened, and a new logistical center, Plataforma León, was opened in Spain. Zara Home inaugurated a new central head office, in the Inditex complex in Arteixo, where the central staff of the chain is located.

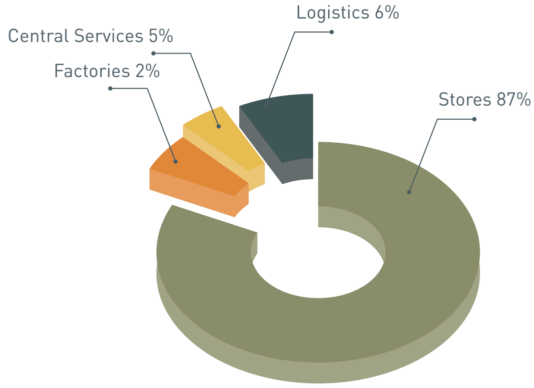
In order to fill the positions that are constantly opening and to meet our constant needs, permanent contracts are granted from the start. Temporary contracts are only used under extraordinary circumstances. During 2006, almost a thousand temporary contracts were made permanent in the area of logistics, and the majority of new employees were offered permanent contracts from the start of their employment.

Staff structure per type of contract at 01/31/2007



Zara_Kungsmässan_Göteborg_Sweden

Employees by activity



87% of our employees are involved in the commercial activity in our network of stores

International recruitment strategies

In order to guarantee the incorporation of resources into our organisation, 2006 saw new initiatives being developed, with a view to reinforcing the usual channels through which people join the company.

The need to hire designers and buyers for the areas of creation and product development of each of the chains led us to implement a series of measures aimed at improving the processes through which these types of professionals are attracted to us and encouraged to stay. Inditex develops training and promotional activities for talented young people, in conjunction with educational establishments offering higher studies in design in various countries.

At the end of 2006, the General Directorate of Human Resources created within its corporate structure a new function, the Immigration division, aimed at bringing us closer to the immigrant group in Spain as a source of employment. This area promotes institutional relations with the Ministry of Employment, the Secretary of State for Immigration and the employment organisations that develop this activity in Spain and abroad. This project will also promote international relocation between our subsidiaries.

The main source of recruitment for Inditex continues to be its jobs web site, at www.inditexjobs.com, on which almost 2,000 job offers were posted this year.

Creation of local work centres

2007 will see the opening of two work centres in Spain - in Madrid and Barcelona. These centres will be responsible for the centralised recruitment, selection and training of personnel for the network of stores and employees of logistical centers alike. These centres allow us to obtain a greater sample of candidates, facilitating faster and more efficient integration.

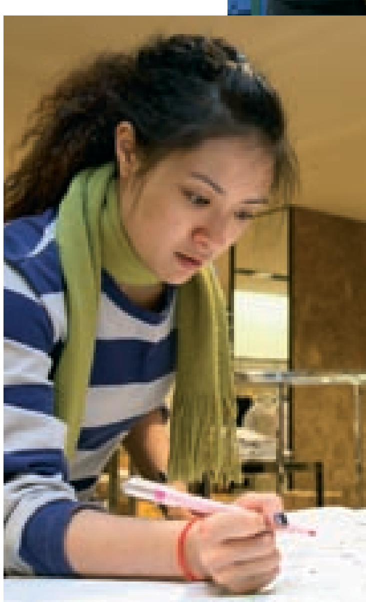
This model work centre is set to be implemented in other cities where the labour market presents similar circumstances, such as London or Paris.

Inditex participated in the 1st Immigrant Worker Fair, held in Madrid in September 2006

Our commitment to equality

Committed to equal opportunities and the promotion of women, Inditex has started to measure the factors that are linked to vertical diversity, understood to be the presence of women in areas of responsibility. The "Equal Diversidad Activa" (Equal Active Diversity) project was taken as a reference when creating the indicators. This project was headed by Celem, the Spanish coordinator for the European womens' lobby, in which Inditex participates. It suggested a measurement model for this indicator for the Corporate Social Responsibility memos.

Various groups were taken as a reference for this first approximation: the logistical centres, where 100% of employees in Spain were analysed; the company Zara Spain, which is the company in the Group with the largest number of employees worldwide and where all stores and central services were analysed; and the Group's factories. located in Arteixo (A Coruña).

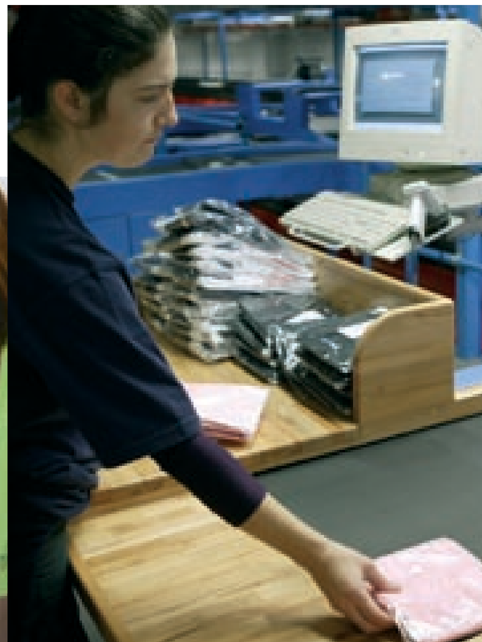


Data as on January, 31st 2007

		% Women
Factories		85.44
	Controls(*)	73.33
	Other employees	86.21
Logistical centres		43.16
	Controls(*)	9.57
	Technicians	50.24
	Other employees	43.45
Zara Spain		
Stores		92.47
	Controls(*)	85.63
	Other employees	92.90
Central Services		55.91
	Controls(*)	60.34
	Other employees	53.91

(*) Managers and persons that have direct responsibility over working teams, including store managers, production line managers and managers of work centers are included in the controls category.

The conclusions of this first analysis indicate that women constitute a significant majority of Inditex employees in its principle spheres of activity, with the exception of our logistical centres, where they only account for 43% of the staff. This percentage is likely to increase due to the fact that women are joining the

Group's logistical centres in larger numbers every year. In these centres they only occupy 10% of positions of responsibility, as a result of their younger age. In the other spheres of activity, such as manufacturing, stores and central services, the female presence largely exceeds the male presence. This female majority, that is characteristic of the organisation, is also replicated in positions of responsibility. At Inditex, men and women compete equally for opportunities in the selection processes, and apply for internal promotion based on the same criteria of assessment and development.

3.2.2. The continuous improvement of employment conditions

Inditex considers that the improvement in the working conditions of its employees is an essential aspect of the social responsibility of companies, which must be capable of adapting their internal regulations to the social reality in which they operate. This adaptation helps the company to improve its competitiveness, through the mutual commitment existing between the company and its employees.

Reconciling personal and professional life

In 2006, Inditex launched a series of measures in Spain, aimed at facilitating the reconciliation of personal and professional life:

1. The possibility of enjoying annual leave apart from periods for pregnancy, giving birth, lactation or maternity leave, even when the natural year is up.

2. The possibility of mothers accumulating lactation leave into full days.

3. The possibility of suspending an employment contract due to risk during natural lactation of a baby of under nine months.

4. Paternity leave of eight days apart from those granted to the mother due to birth, adoption or fostering, on top of the leave that is currently in force. This leave is increased by two days in cases of multiple birth, adoption or fostering.

5. Recognition of the right of the father to maternity leave in the event of the death of the mother, even if she didn't work.

6. Extension of maternity leave by two weeks in the event of the birth, adoption or fostering of a handicapped child. This right can be exercised by both the father and the mother.

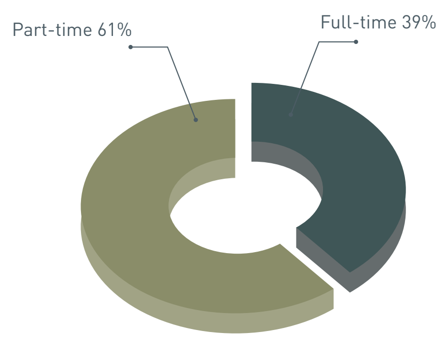
7. The right to maternity leave remains even in the event of the death of the newborn baby.

8. The possibility of reducing the working day between one eighth and a half, for those caring for handicapped children or those under eight years of age.

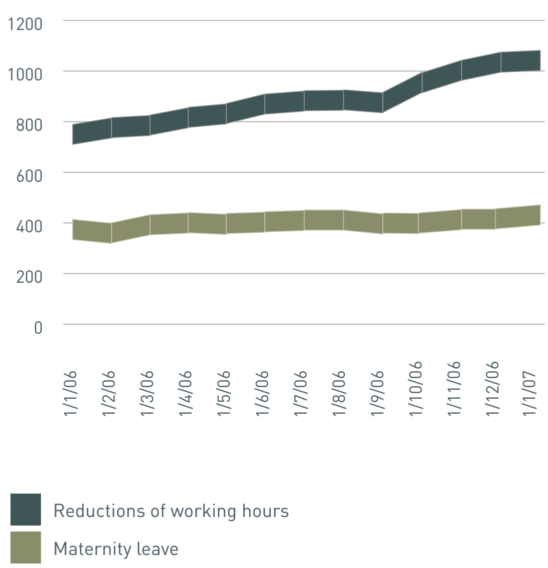
9. The possibility of splitting leave of absence for two years when caring for family members who, by virtue of age, infirmity or incapacitation, are unable to care for themselves.

One of our aims is to offer diverse jobs with different working hours and to provide work shifts that are as stable as possible. The promotion of part-time work is one of these practices. More and more employees fit into this profile, trying to combine working with studying, leisure activities or family life. In 2006, part-time employees represented 61% of the total.

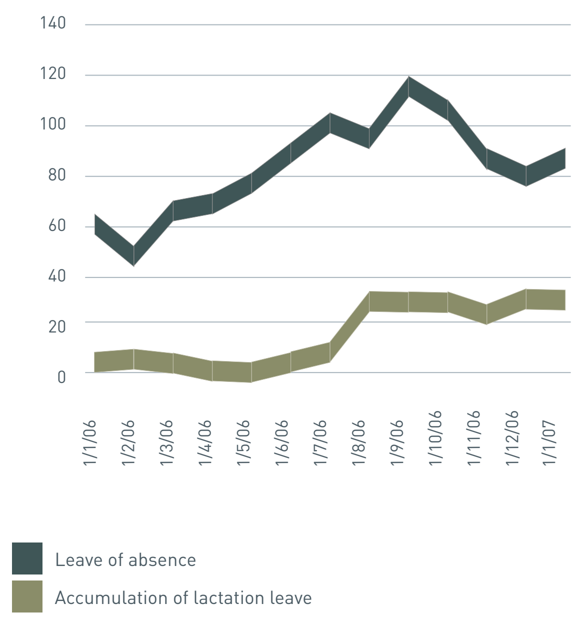
Employees per type of working day, as on January, 31st 2007



Conciliation measures in Spain in 2006



In 2006, there was a notable increase in the number of requests for a reduction in working hours



Requests for the accumulation of lactation leave doubled and there was a notable reduction in the amount of leave of absence

3.2.3. Continuous training and internal promotion

Corporate training through international programmes

Area of development	Trained employees	Hours of training received
Initial training and initiation	2,297	254,708
Store management systems	837	176,643
Commercial training for stores	901	120,191
Languages and computers	3,438	89,212
Talent management and skill development	1,525	62,140
Total	**8,998**	**702,894**

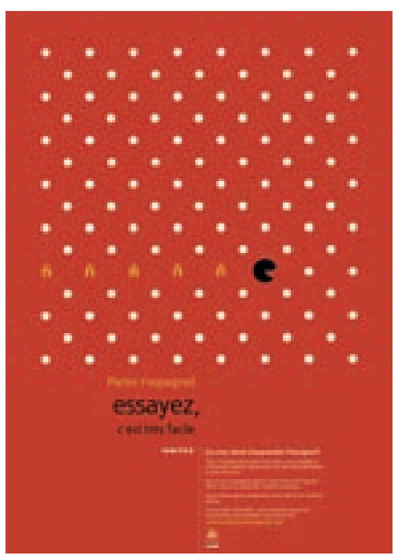
In the Group's corporate training plan, we highlight three programmes due to their international scope and their relevance to our business:

1. The programme that identifies human potential, being implemented in all subsidiaries of the Group. This is the principal means of guaranteeing internal promotion in our stores and also in the points of sale of each of our chains.

2. The training programme for learning Spanish, aimed at employees all over the world, and implemented in 2006. This was the fruit of an agreement with Instituto Cervantes at the start of the year, and allows Inditex employees all over the world to have access to linguistic methods and tools for learning Spanish through an Internet platform. Learning Spanish will help the integration and professional development of individuals, facilitating their access to a higher number of positions through the internal promotion system.

Inditex has created a web page, translated into eight languages, from where employees all over the world can learn about the programme and enroll on courses.

The web site was launched and the programme presented through a wide-reaching internal communication campaign in all work centres in non-Spanish speaking countries. In 2006, Inditex's training department financed a total of 2,000 licenses.



3. The training programme for central service teams. Throughout the year, various training initiatives were put in place, to prepare professionals for new challenges in the future. This programme is structured along two lines: the training of corporate service employees in areas of specialist knowledge - finance, management control, auditing, human resources, etc., and the training of the commercial group in areas of high impact for the business - on matters as diverse as digital design, procurement, corporate responsibility, the environment, industrial property and labelling.

Managerial development programme

Inditex has a managerial development programme, designed to meet the needs created by its international expansion. Every year, professionals with postgraduate training in business schools of recognised prestige, professional experience of 3 or 4 years and the willingness to move abroad join the programme. The members of the programme have access to a personalised training and development plan that lasts from six to eight months, and focuses on detailed knowledge of the organisation, starting with its stores. After this period is up, they are sent to their first international destination, usually to one of the subsidiaries of the Group. This programme provides a system that fills current and future managerial positions in a planned manner.

Inditex periodically organises meetings for members of the Management Committee, with key people from the international business schools associated with the programme, to improve knowledge of our organisation and to encourage the exchange of experiences in various spheres.

Development plan for store managers

The programme is aimed at developing the skills and knowledge that are critical for the profile of store manager, once the critical factors for success have been identified. People management skills are reinforced, this being a factor that has rapid repercussions for the improvement of motivation in teams under the responsibility of store managers.

3.2.4. Labour relations

Respect for fundamental rights

Inditex promotes policies of equality, diversity and respect for fundamental Human and Labour Rights, implementing measures to prevent discrimination of any sort. None of our human resources policies establish differences between employees, either in terms of their personal circumstances or in terms of the type of contract they are offered.

Representation by trades unions

Inditex respects the right of its employees to be represented by trades unions or other legitimate representatives and to negotiate with them to reach agreements on working conditions. We encourage the participation of our employees, in accordance with the legislation in force in each country. Inditex has renewed its memorandum of understanding with the World Trades Union Federations UNION NETWORK and the International Garment Leather Workers Federation (ITGLWF).

Health and the prevention of occupational hazards

Inditex's Prevention Service is part of the General Directorate of Human Resources, that pursues extensive goals in relation to the prevention of occupational hazards and the promotion of health in the workplace throughout the international human resources structure, in every country and every company. The corporate mission is to care for the health and safety of our employees, in strict compliance with the different legislation in relation to prevention and occupational health. The responsibility for prevention is shared by the human resource directors and by the senior management of every work centre, as well as the specific units that carry out this function, such as the prevention services and local committees.

At the end of the year 2004, a strategic plan was approved, which was implemented during 2005-2006, aimed at training all of our employees in Spain in the area of occupational hazard prevention and environmental issues. During 2006, more than 6,000 employees were trained in the stores in Spain, and next year an international on-line training programme is due to be launched. 13,000 employees of Bershka, Massimo Dutti, Pull and Bear, Oysho and Stradivarius have received self-training manuals on the prevention of hazards.

Trade union representation in Spain

		CC.OO.		U.G.T.		C.I.G.		E.L.A.-S.T.V.		OTHERS	
Sector	**No. of Reps.**	**Rep.**	**%**	**Rep**	**%**	**Rep.**	**%**	**Rep.**	**%**	**Rep.**	**%**
Stores	353	168	47.59	143	40.51	4	1.13	27	7.65	11	3.12
Factories	65	50	76.92	4	6.15	11	16.92	-	-	-	-
Logistics	93	41	44.09	27	29.03	15	16.13	-	-	10	10.75
Total	511	259	50.68	174	34.05	30	5.87	27	5.28	21	4.11

CC.OO.: Comisiones Obreras; U.G.T.: Unión General de Trabajadores; C.I.G.: Confederación Intersindical Galega; E.L.A.-S.T.V.: Euzko Langileen Alkartasuna (Solidaridad de los Trabajadores Vascos).

Number of employees represented through the prevention bodies in Spain

From stores	28,922
From factories	1,277
Logistical	3,494
From Central Services and other activities	1,048
Total	**34,741**

In 2006, an external audit was carried out on prevention management, medical assistance services were implemented in the principle work centres of the Group and there was a review of all fire prevention and security systems in our stores all over the world. More specifically, the emphasis was on the preventative measures of the two groups that, by virtue of their activity, are most exposed to more serious risks: personnel associated with construction and maintenance work on our premises and employees of our logistical centres. In the construction work undertaken by the Group, an external prevention service has been implemented to oversee this function.

Reduction of accidents and absenteeism

Inditex has a system of registration and reporting of professional illnesses and accidents in the workplace, that ensures strict compliance with procedure. Professional illnesses and accidents in the workplace are reported to the company's Prevention Service and the corresponding labour authority.

In the case of Spain, which is where 50% of our staff is located, 0.39% of hours established in contracts have been lost as a result of accidents. The majority of accidents are minor and of a short duration. As regards absenteeism, the figure for 2006 was 4.20% (hours lost of the total number of hours contracted).

Drill carried out at the logistical facility in Arteixo

Prevention activities in Spain in 2006	
Evacuation drills carried out	68
Risk assessments carried out	135
Employees participating in drills	4,400
Employees trained in the area of prevention	6,000
Employees receiving self-training manuals	13,000

3.2.5. Inditex's commitment to its employees

Responsible Practices Directory

Inditex has made all employees of the Group aware of the Internal Responsible Practices Directory, approved by the Board of Management on June, 13th 2006. This included the creation of an Ethics Committee that oversees the application of the directory.

The aim of the directory is to seek professional, ethical and responsible behaviour from employees in the performing of the activities of the company.

The directory defines the type of conduct that we expect of our employees and that is part of our business culture. The values that we wish to see in our teams are described: ethics and co-responsibility, honesty, professionalism, respect and transparency.

The document explains the relationship between the company and its employees, based on mutual respect, dignity, justice and cultural sensitivity, and the adoption of the Code of Conduct is included textually in point 3:

• The Inditex Group does not employ anyone who is under the legal age.

• No person employed by the Inditex Group is discriminated against on grounds of race, physical incapacity, religion, age, nationality or gender.

• The right of employees to seek representation by trades unions, association and other collective bargainings.

• In the Inditex Group, no form of harassment or physical, sexual, psychological or verbal abuse is ever permitted.

• The salary received by employees of the Inditex Group is in accordance with the functions they perform, always in observance of the collective agreements for each sector.

• All employees of the Inditex Group perform their jobs in safe and healthy surroundings.

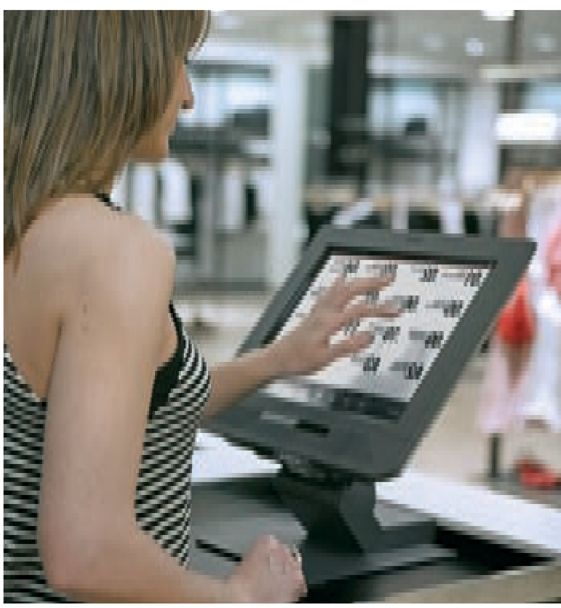
All employees of the Group received a publication containing the Responsible Practices Directory. A series of icons, designed by Group employees, represent the values that this Directory guarantees.

New systems of communication and participation

In 2006, a new wide-reaching system was added to the principle channels of communication of the Inditex Group with its employees: the store management terminals (TGT), that permit real-time connection with all points of sales worldwide. This communication system joins the internal magazine (IN), the Intranet (accessible by all employees in large work centres in Spain) and the physical media, widely broadcast among our employees.

The TGT (Store Management Terminal) is a touch-screen system that allows store personnel to gain access to information on the company that they require for its management, and they are also able to communicate via electronic mail with the departments of the centre, the logistical centres and other stores. The implementing of this technology in the store network all over the world is expected to be completed in 2007.

The magazine IN is the main communication channel for the Management area of Inditex, used by all companies with employees worldwide. A personalised distribution is implemented at the different work centres. There were 72,300 copies of the last issue of the financial year printed (12,000 more than in the previous year). The last issue was distributed with the Directory of Responsible Practices of the Inditex Group. Three wide-reaching communications campaigns have been run through the magazine: the advertising of training courses offered in Spain, the campaign highlighting the company's commitment to the reduction of CO_2 emissions, requesting the involvement of employees in this initiative, and the health campaign, that is set to continue in 2007.



The TGT is a touch-screen terminal that connects all stores throughout the world with the central services.

Spring-Summer campaign_Zara Home

04

Social Cash Flow

04

Inditex **contributes** to **the generation of wealth in** the **corporate environment** in **which** it **carries out** its **activity**. This **implication**, **translated** into **economic language** with **the** term '**social** cash **flow**', **is** the **basis** that **defines its** policy of **corporate responsibility**.

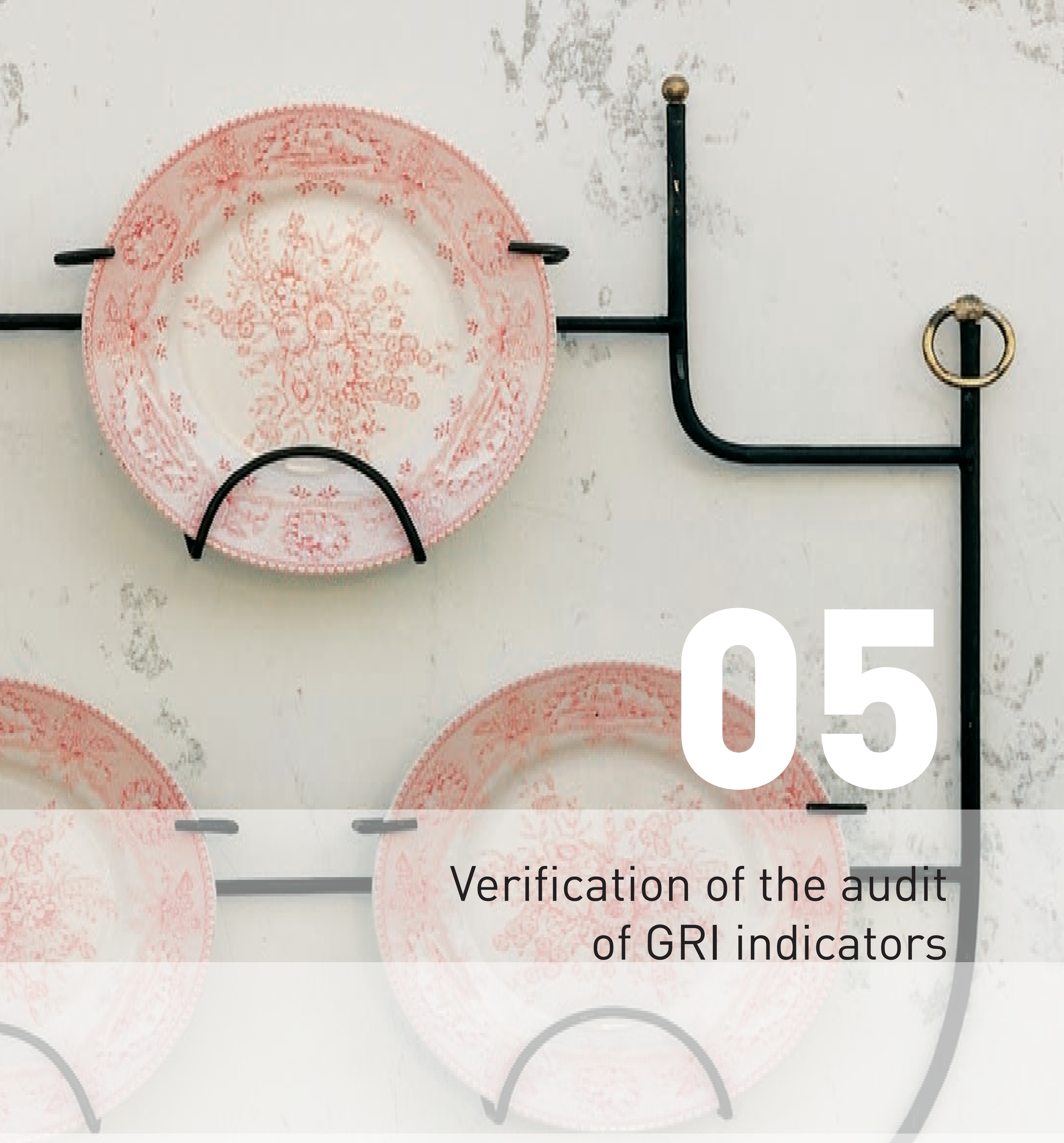
Social Cash Flow

Bearing in mind the recipients of the cash flows generated during the year, we have established the company's social cash flow over the last two years, and calculated the variation between the two figures.

(millions of Euro)	2006 Accounting Year	2005 Accounting Year
Net cash received for sale of products and services	8,196	6,741
Flow received from investments made	4	10
Cash received for sales of assets	27	17
Total value-added flow	**8,226**	**6,768**

Distribution of value-added flow		
Employee wages for their services	1,251	1,037
Tax payments	316	291
Financial debt repayments	159	97
Dividends paid out to shareholders	418	302
Corporate social investment	5	5
Non-recurrent social investment (emergencies programmes)	1	2
Cash withheld for future growth	(67)	210
External payments made outside the group for purchasing goods, raw materials and services	5,262	4,013
Payments made for investments in new productive assets	880	812
Distribution of value-added flow	**8,226**	**6,768**

Spring-Summer campaign_Zara Home



05

Verification of the audit of GRI indicators

SGS

VERIFICATION REPORT

SCOPE

SGS ICS Ibérica (henceforth SGS) has carried out an independent verification of the document INFORME DE RESPONSABILIDAD CORPORATIVA 2006, commissioned by INDITEX, S.A.

The scope of the verification includes the text and data contained in the reference document; not including the information and/or data referenced and not introduced in the document.

INDEPENDENCE

The information contained in the verified document and its elaboration is the sole responsibility of INDITEX.

SGS has not participated nor advised in the elaboration of the verified document, only participating as independent verifier, checking the adequacy of the document's contents.

The content of this Report of Verification and the opinions contained in it is the sole responsibility of SGS.

VERIFICATION

Methodology and verifier team

The methodology used was that developed by SGS for the Verification of Sustainability Reports, this consists of audit procedures according to ISO 19011 and verification mechanisms according to GRI Guidelines (G3) and AA1000 Assurance Standard (2003), these include:

- Interviews with the personnel responsible for data procurement and preparation.
- Documents and records review (internal and public ones)
- Verification of data and its validation with the sources.

Particularly, for this verification, the data of the economic area were assessed against the certification of the annual accounting audit carried out by KPMG Auditors and the notification of the economic results of 2006 to the CNMV relevant fact for 2006.

The verification team was formed by SGS personnel:

- Mrs Carlota Abalo Sinde and,
- Mrs. Laura López Sanjurjo

and it was assembled based on their knowledge, experience and qualifications for the accomplishment of this task.

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SGS

VERIFICATION REPORT

IMPROVEMENT AREAS

To continue advancing in the coverage of the Information of the GRI Indicators, in the perimeter of consolidation of the company, because for the most part there are GRI Indicators reflected for the parent company of INDITEX situated in Spain

It would be appropriate to reinforce the system to compile annually the GRI Indicators and their correspondence with the Information of Corporate Responsibility gathered in the memory.

STRONG POINTS

With regard to the Memory of Corporate Responsibility corresponding to the exercise of 2005, it has advanced notably in the internal social dimension, especially in the chapter of Human Resource Management.

An important effort has been made in Communication Area.

CONCLUSSIONS

Based on the verification carried out, the SGS verification team considers the following:

- INFORME DE RESPONSABILIDAD CORPORATIVA 2006 – INDITEX contains reliable information and data, these is a coherent representation of the activities and its results for the period reflected in the document, which has been elaborated according to the requirements of Sustainability Reporting Guidelines G3 from Global Reporting Initiative (GRI).
- The GRI Application Level declared by INDITEX (B+) is appropriate.
- INDITEX has implemented management systems to identify and respond to social, economic and environmental impacts of its activities, including identification and answers to stakeholders' views.

Madrid, Jun 21 th 2007

Signed: J. Moya (SGS ICS Ibérica, S.A.)

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The **Annual Report 2006** is comprised of four supports:

The **Report Guide**, including a general index of the full Annual Report 2006, the Letter from the Chairman and the guidelines to comply with GRI (Global Reporting Initiative) indicators.

The book on **Economic and Financial Performance**.

The book on **Corporate Performance**.

The book on **Social and Environmental Performance**.

Detailed information of the main variables of FY2006 is provided in these three books under the terms of the triple – economic, social and environmental – dimension.

The Annual Report 2006 is fully available on the corporate web site www.inditex.com, where additional useful information may also be accessed.

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