Annual Report'07

INDITEX

Stradivarius´ window-dressing team.

Annual Report '07

INDITEX

Letter from the Chairman

Dear shareholders,

Once again you have in your hands our corporate Annual Report, arisen out of a collective reflection exercise done by every team in the company. The result of such musing about our activity in the year in course undoubtedly meets the discourse which I have repeatedly invoked, according to which companies should disclose the evolution of their business not only from a purely economic perspective, but also and mainly, from a perspective which reviews its operations in the social, labour and environmental fields, being these concerns essential for any company of the 21st century.

As it is pointed out in this Annual Report, the company has actually kept its satisfactory growth pace and has met the strategic goals it had set, both financial and social, with a remarkable regularity.

In this framework, I would like to underscore an issue which in my view is essential in such a sizable Group as Inditex. I am talking about the human “touch”: matters such as team building, internal motivation, promotion, reconciliation of work and family or training of officials, all of which are key for a steady progress and success of a company such as ours.

This idea must permeate all the spheres of the company. For instance, we all know that the Group has opened 560 new stores in 50 different countries during the year. This parameter not only shows the significant strategic growth decided by the Group, but most of all, it indicates the effort made by a great number of individuals. Additionally, it hints at the motivation and commitment necessary to helm such a dynamic company as Inditex.

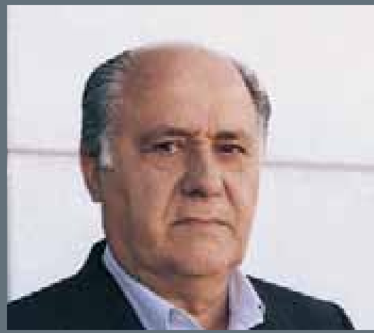
We must be able to retain talent, keep our staff motivated and recruit new individuals in the company at a fast pace, and to achieve at the same time for the company a fresh look and the required ambition to be the driving force enabling us to meet new and ambitious purposes.

This Group has been built by a team of excellent professionals who have managed to create this unique project on a global scale. Therefore, we are dealing with an organisation that is alive, where seniority and experience live together with new generations who contribute their innovative ideas to the wealth of the company.

In 2007, upwards of 10,000 new employees have joined the Group, whose total staff amounts to 79,517 individuals of 140 nationalities. This is undoubtedly one of the greater strengths of our Group, if not the greatest. With this recruiting process, the company anticipates one of the most important challenges it shall have to face up to in the future: maintaining such a high degree of commitment and motivation, both individual and collective, in order to intensify the idea of leadership and excellence.

One of the most prominent issues of this Annual Report is a renewed commitment towards sustainable development both from an environmental and a social perspective.

Regarding the environmental issue, we have disclosed our current Strategic Plan (2007-2010), in line with the former ones, to which are added new goals, which we consider very ambitious. Other exacting goals are being set in train to review our activity from all fronts, resulting in a reduction of emissions and industrial, logistic and commercial consumption. I would like to point out the effort devoted by our company to transform all our points of sale into environment-friendly spaces, thus progressing towards the achievement of a target which we have called the “eco-store”. Additionally, we are taking further steps towards meeting our energy-efficien-



cy commitment, having clearly endorsed the emissions reduction through savings and the replacement of traditional sources of energy with others which have a lesser impact on the environment.

In the area of social responsibility, throughout 2007 three standards of our own have been implemented which will enable us to convey to our clients the characteristics that in our view our products need to meet: these are the *Clear to Wear* –regulation of chemical components of each garment –, *Safe to Wear* –standard for the safety of products, mostly for the protection of children -, and – allowing a thorough review of compliance with the Code of Conduct and respect of human and labour rights throughout our chain of suppliers –.

As for this latest issue, in 2007 a significant milestone was reached: further to a joint work conducted in the previous years, which has proved to be very fruitful, we have finally reached a major agreement with the International Textile, Garment and Leather Workers Federation (ITGLWF). Under this agreement, which is a first in our sector, both parties work together in the entire audit process of the production line, in accordance with the desire of Inditex, which has already been implemented by the company, to resort to independent bodies in the verification of compliance with its Code of Conduct and, where appropriate, in the identification and correction of any breaches.

By including these new certification standards, we provide all our clients, shareholders and employees, with a strategy aiming at ensuring that the products we put to sale are safe and ethically committed.

Meanwhile, focusing on the review of the economic data, during fiscal year 2007 net sales reached 9.435 billion euros, with a 15% surge in sales, as a result of both the satisfactory performance of the stores existing as at the end of fiscal 2006 and of the net openings of last year, which amounted to 560 new locations.

This increase in points of sales which represented approximately two million square meters of retail area as at 31st January 2008, is the outcome of our strategic expansion lines which have been at the core of our business throughout the latest years: consolidation of our multi-format presence in the European markets and steady growth of our presence in the Asia-Pacific area. In Europe, relative growth of Eastern countries markets, including Russia, has been especially relevant, with higher than 60% increases in area.

Although based upon lower comparative grounds, the growth in Asia must be underscored, wherein the expansion of the Group is consolidating at an extraordinary pace, enabling us to catch a glimpse at the many opportunities of future growth.

All in all, this fiscal year represents a step forward in the road to internationalization which the Group has decidedly taken. Thus, year after year, this building is being shaped, in which the most significant data is not the total number of stores, but instead, - and this is my personal belief- each of them individually and each of the persons working in them who, with their initiative and perseverance, are the sole tangible reality of the so-called Inditex "business model".

Amancio Ortega Gaona
Chairman

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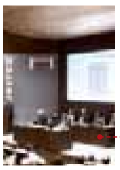
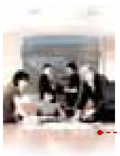




Pull and Bear store team.

Global Reporting Initiative Indicators

CORE INDICATOR ADDITIONAL INDICATOR

4. GOVERNANCE, UNDERTAKINGS AND PARTICIPATION OF INTEREST GROUPS

5. APPROACH FOR PERFORMANCE MANAGEMENT AND INDICATORS

FINANCIAL PERFORMANCE INDICATORS

CORE INDICATOR ADDITIONAL INDICATOR

206, 216-218	EC3 Coverage of obligations of the organisation due to social benefit programmes.
N/A, 207-208	EC4 Significant financial assistance received from governments.
	PRESENCE IN THE MARKET
71-73	EC5 Range of relationships between the standard initial salary and local minimum salary in places where significant operations are carried out.
60-81	EC6 Policy, practices and proportion of expenditure corresponding to local suppliers in places where significant operations are carried out.
144-147, 286-287, 300	EC7 Procedures for local contracting and proportion of senior managers arising from the local community in places where significant operations are carried out.
	INDIRECT FINANCIAL IMPACTS
196-197	EC8 Development and impact of investments on infrastructures and services provided principally for the public benefit by means of commercial, pro bono, or in kind undertakings.
121	EC9 Comprehension and description of the indirect financial impacts including the scope of these impacts.
	ENVIRONMENTAL PERFORMANCE INDICATORS
	MATERIALS
165-175	EN1 Materials used, by weight or volume.
165-175	EN2 Percentage of materials used that are evaluated materials.
	ENERGY
165-175	EN3 Direct consumption of energy broken down by primary sources.
150-175	EN4 Indirect consumption of energy broken down by primary sources.
150-175	EN5 Energy-saving due to conservation and improvements in efficiency.
150-175	EN6 Initiatives to provide efficient products and services for the consumption of energy or based on renewable energies and reductions in the consumption of energy as a result of these initiatives.
150-175	EN7 Initiatives to reduce the indirect consumption of energy and reductions attained with these initiatives.
	WATER
175	EN8 Total water capture by sources.
175	EN9 Sources of water that have been significantly affected by water capture.
175	EN10 Percentage and total volume of water recycled and reused.
	BIODIVERSITY
151	EN11 Description of adjacent land or land located within protected natural spaces or unprotected areas of high biodiversity. Indicate the location and size of land under ownership, leased or that is managed with a high biodiversity value
151	EN12 Description of the most significant impacts of activities, products and services on biodiversity in protected natural areas or unprotected areas but with high biodiversity value.
165	EN13 Protected or restored habitats.
151-164	EN14 Strategies and actions implanted and planned for the management of impacts on biodiversity.
151	EN15 Number of species, broken down based on their threat of extinction included in the IUCN Red List and on national lists and whose habitats are found in areas affected by the operations according to degree of threat to the species.

CORE INDICATOR   ADDITIONAL INDICATOR

EMISSIONS, DISCHARGES AND WASTE

170 EN16 Total direct and indirect emissions of greenhouse effect gases, calculated as weight.

170 EN17 Other indirect emissions of greenhouse effect gases, calculated as weight.

150-175 EN18 Initiatives to reduce greenhouse effect gas emissions and the reductions attained.

170 EN19 Emissions of substances that destroy the ozone layer calculated as weight.

165-175 EN20 NO, SO and other significant emissions into the air by type and weight.

175 EN21 Total disposal of waste waters, according to their nature and destination.

171-175 EN22 Total weight of managed waste according to type and method of processing.

N/A EN23 Total number and volume of the most significant accidental spillages.

N/A EN24 Weight of waste transported, imported, exported or processed that are considered dangerous according to the classification of the Basle Agreement, annexes 1, 2, 3 and 7 and percentage of waste transported internationally.

176 EN25 Identification, size, state of protection and biodiversity value of hydric resources and related habitats, significantly affected by disposals of water and water runoff from the informing organisation.

151-174 EN 26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

165-175 EN 27 Percentage of products sold and their packaging materials that are reclaimed by category.

REGULATORY COMPLIANCE

N/A EN28 Cost of significant fines and number of non-monetary sanctions caused by breach of environmental regulations.

TRANSPORT

165-175 EN29 Significant environmental impacts of the transport of products and other goods and materials used for all activities of the organisation as well as personnel transport.

GENERAL

N/A EN30 Breakdown by classification of total expenses and investments.

PERFORMANCE INDICATORS FOR WORK PRACTICES AND ETHICS

EMPLOYMENT

138-140, 144-148 LA1 Breakdown of the group of workers by type of job, contract and region.

N/A LA2 Total number of employees and average rotation of employees broken down by age group, sex and region.

216-218 LA3 Social benefits for employees with full working day that are not offered to temporary or part-time employees, broken down by principal activity.

COMPANY/EMPLOYEE RELATIONS

N/A LA4 Percentage of employees covered by a group agreement.

149 LA5 Minimum period(s) for notice relating to organisational changes including whether these notifications are specified in group agreements.

CORE INDICATOR **ADDITIONAL INDICATOR**

HEALTH AND SAFETY AT WORK

149 LA6 Percentage of the total of workers who are represented in joint management-employee health and safety committees established to help control and advise on health and safety at work programmes.

N/A LA7 Rates of absenteeism, professional illnesses, days lost and number of mortal victims related to work, by region.

149 LA8 Programmes for education, training, consultancy, prevention and control of risks that apply to workers, their families or members of the community in relation to serious illnesses.

148-149 LA9 Health and safety matters covered in formal agreements with unions.

TRAINING AND EDUCATION

141-143 LA10 Average hours of training a year by employee, broken down by category of employee.

141-143 LA11 Programmes for management of skills and continuous training that develop the employability of workers and that support them on the final management of their professional careers.

N/A LA12 Percentage of employees who receive regular performance evaluations and professional development.

DIVERSITY AND EQUALITY OF OPPORTUNITIES

144-147, 286-290 LA13 Composition of corporate governing bodies and staff, broken down by sex, age group, belonging to minority groups and other diversity indicators.

144-147 LA14 Relationship between basic salary of men with regard to that of women, broken down by professional category.

HUMAN RIGHTS PERFORMANCE INDICATORS

INVESTMENT AND SUPPLY PRACTICES

120 HR1 Percentage and total number of agreements for significant investments that include human rights clauses or that have been the object of analysis on human rights.

76-79 HR2 Percentage of principal distributors and contractors who were the object of analysis on human rights and measures adopted as a consequence.

N/A HR3 Total hours of training for employees on policies and procedures related to those aspects of human rights that are relevant for their activities, including the percentage of employees trained.

NON-DISCRIMINATION

145 HR4 Total number of discrimination incidents and measures adopted.

FREEDOM OF ASSOCIATION AND GROUP AGREEMENTS

64-70 HR5 Activities of the company in which the right of freedom of association and affiliation to group agreements can lead to taking significant risks and measures adopted to back these rights.

CHILD EXPLOITATION

71-73, 76-79 HR6 Activities identified that include a potential risk of incidents of child exploitation and measures adopted to contribute to their elimination.

FORCED LABOUR

71-73, 76-79 HR7 Operations identified as a significant risk of originating from forced and unconsented labour and measures adopted to contribute to their elimination.

CORE INDICATOR **ADDITIONAL INDICATOR**

SAFETY PRACTICES

N/A HR8 Percentage of safety personnel who have been trained on the policies or procedures of the organisation on human rights aspects that are relevant to the activities carried out.

RIGHTS OF INDIGENOUS PERSONS

76-79 HR9 Total number of incidents related to violations of the rights of indigenous persons and measures adopted.

INDICATORS ON THE PERFORMANCE OF SOCIETY

COMMUNITY

92-103 SO1 Nature, scope and effectiveness of programmes and practices to evaluate and manage the impacts of operations in communities, including arrival, operation and departure from the company.

CORRUPTION

279-280 SO2 Percentage and total number of business units analysed with regard to risks related to corruption.

279-280 SO3 Percentage of employees trained on anti-corruption policies and procedures of the organisation.

279-280 SO4 Measures taken in response to corruption incidents.

PUBLIC POLICY

31 SO5 Position in public policies and participation in public policy development and lobbying.

N/A SO6 Total value of financial contributions and in kind to political parties or related institutions, by country.

UNFAIR COMPETITION BEHAVIOUR

N/A SO7 Total number of actions by causes related to monopolistic practices and against free competition, and their results.

REGULATORY COMPLIANCE

N/A SO8 Monetary value of sanctions and significant fines and total number of monetary sanctions arising from breach of laws and regulations.

INDICATORS ON PERFORMANCE AND RESPONSIBILITY OVER PRODUCTS

HEALTH AND SAFETY OF THE CUSTOMER

82-85 PR1 Phases of the life cycle for products and services in which the impacts of these on the health and safety of the customers are evaluated, to be improved as appropriate, and percentage of categories of significant products and services subjected to such evaluation procedures.

N/A PR2 Total number of incidents arising from breach of the legal regulations or voluntary codes with regard to the impacts of the products and services on health and safety during their life cycle, distributed based on the type of result of these incidents.

LABELLING OF PRODUCTS AND SERVICES

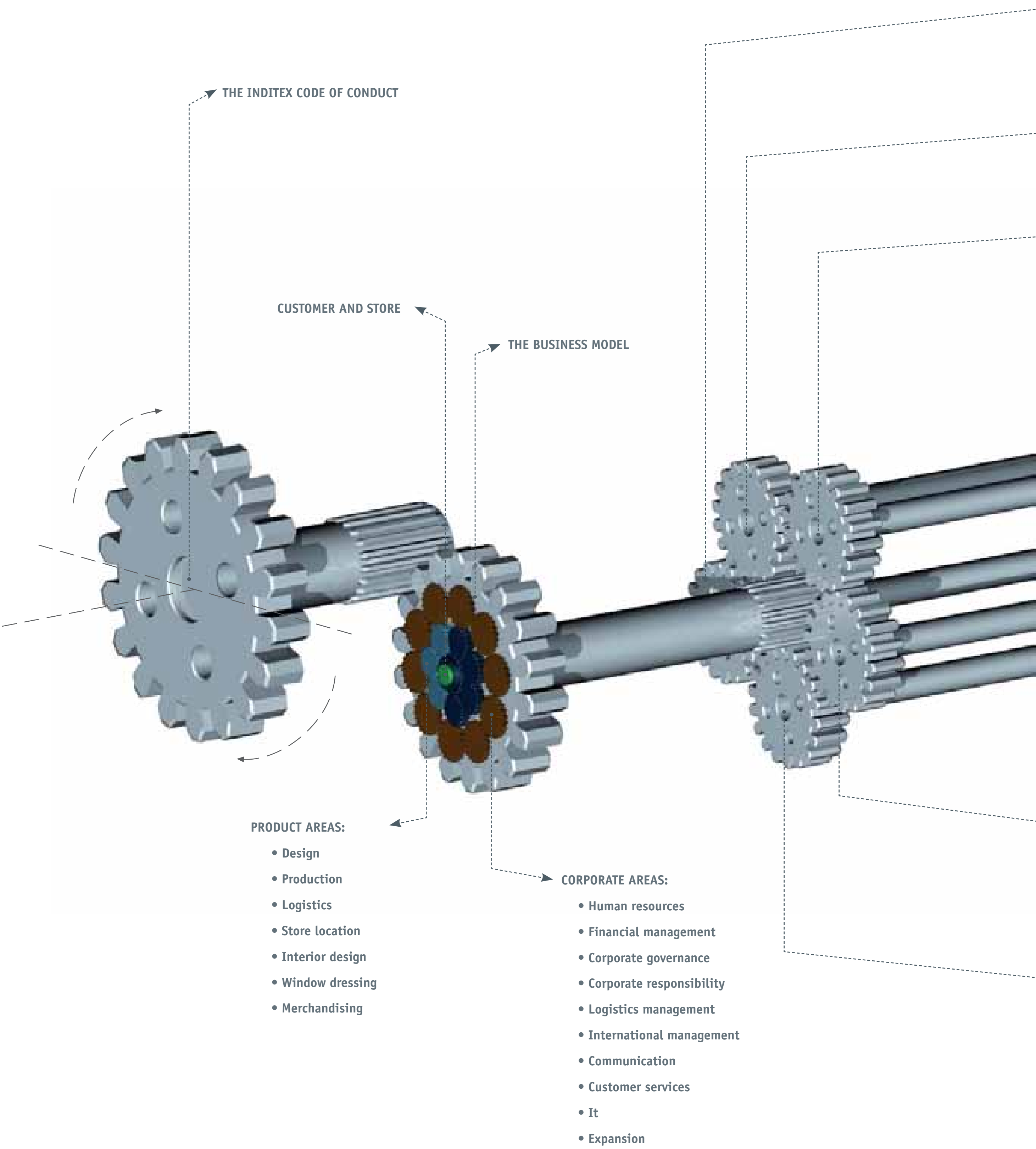
84-85 PR3 Types of information on products and services that are required by procedures in force and regulations, and percentage of products and services subject to these information requirements.

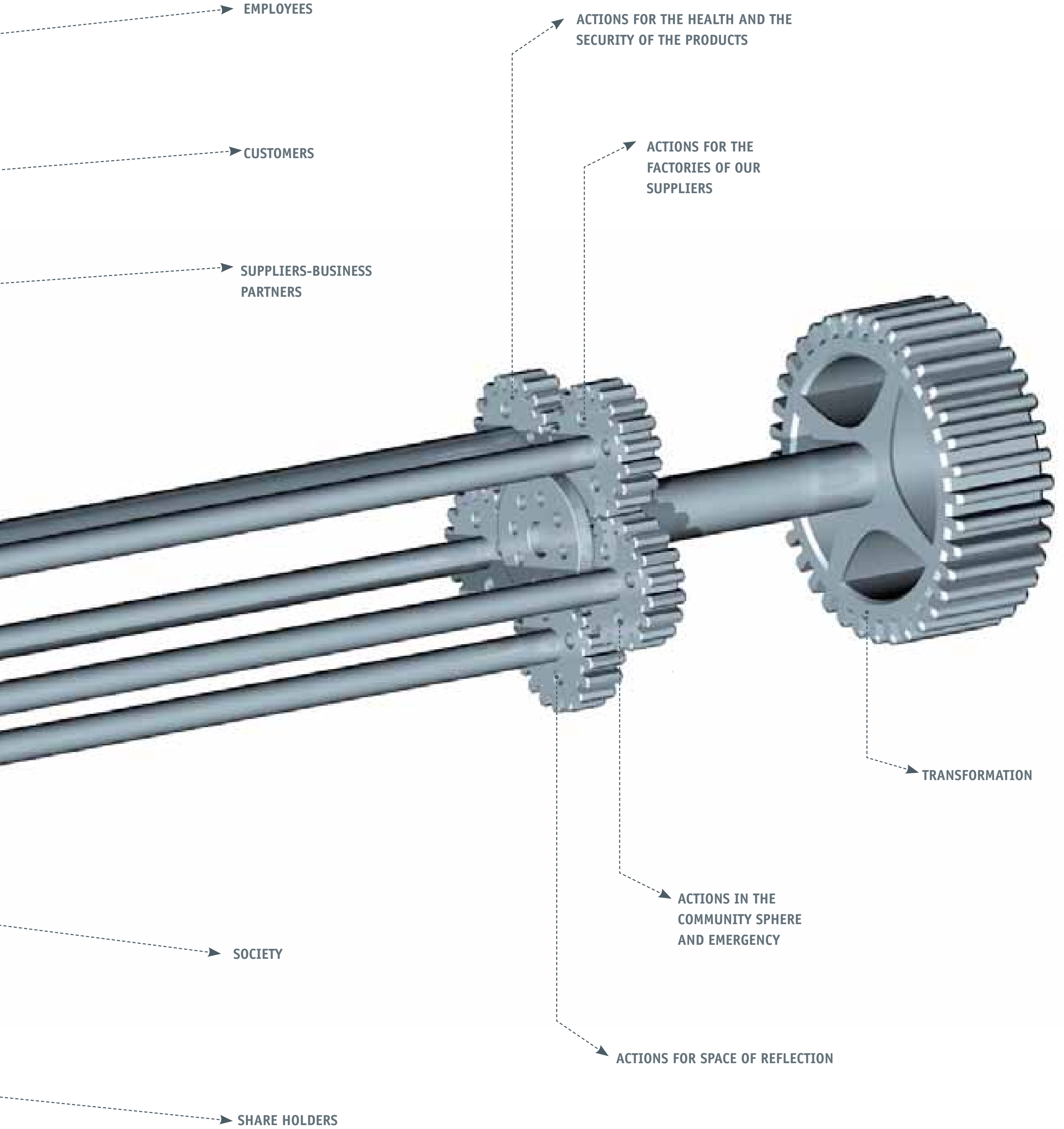
85 PR4 Total number of breach of regulation and voluntary codes relating to information and labelling of products and services distributed based on the type of result of these incidents.

CORE INDICATOR **ADDITIONAL INDICATOR**

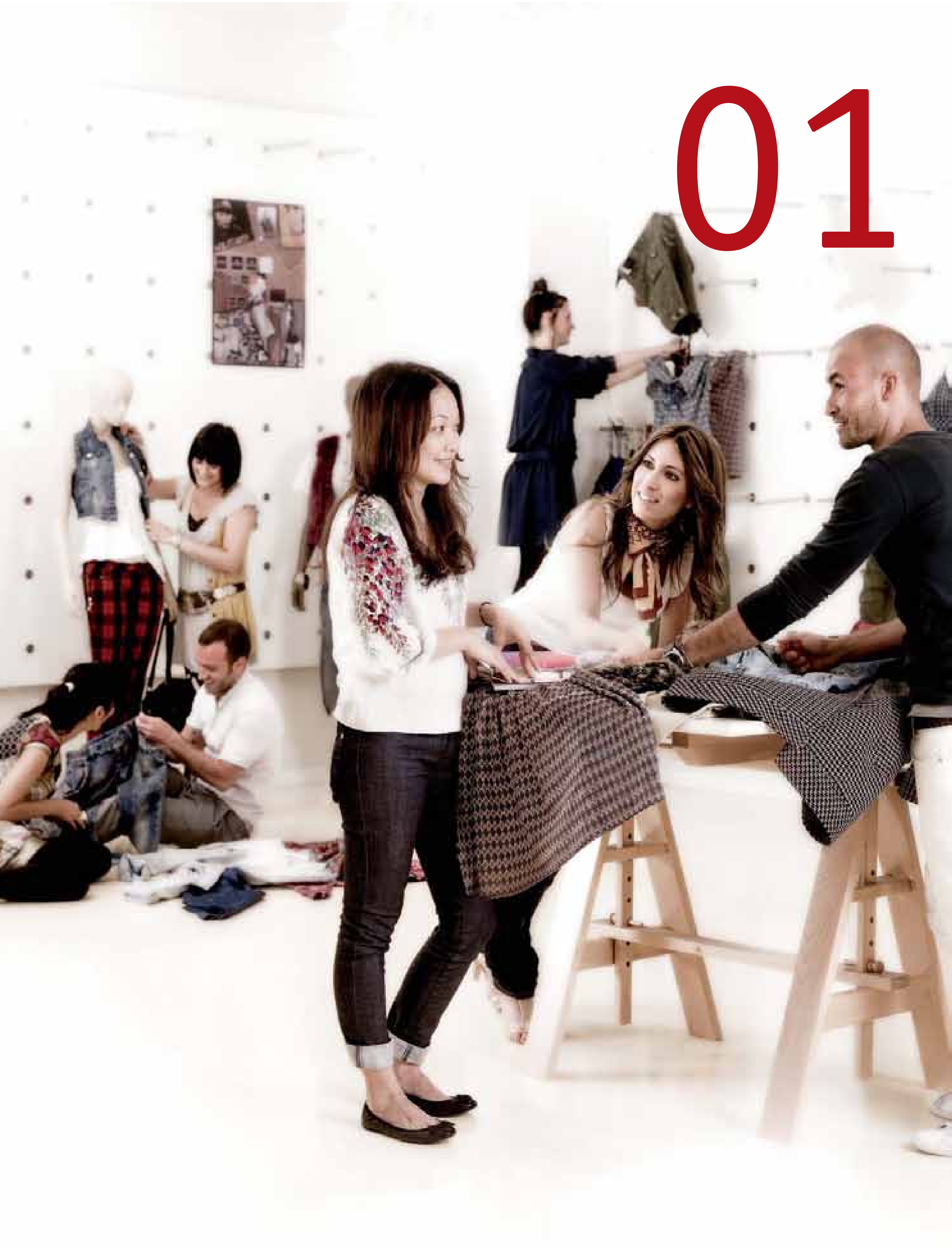
27-30	PR5 Practices with regard to customer satisfaction, including results of customer satisfaction studies.
	MARKETING COMMUNICATIONS
N/A	PR6 Programmes on compliance with laws or adhesion to standards and voluntary codes mentioned in marketing communications, including advertising, other promotional activities and sponsorships.
N/A	PR7 Total number of incidents as a result of breach of regulations related to marketing communications including advertising, promotion and sponsorship, distributed based on the type of result of these incidents.
	CUSTOMER PRIVACY
N/A	PR8 Total number of duly substantiated claims in relation to respect for the privacy and leak of customers personal data.
	REGULATORY COMPLIANCE
N/A	PR9 Cost of those significant fines as a result of breach of regulations with regard to the supply and use of products and services of the organisation.

AN INNOVATIVE BUSINESS MODEL




EMPLOYEES
CUSTOMERS
SUPPLIERS-BUSINESS PARTNERS
SOCIETY
SHARE HOLDERS
ACTIONS FOR THE HEALTH AND THE SECURITY OF THE PRODUCTS
ACTIONS FOR THE FACTORIES OF OUR SUPPLIERS
TRANSFORMATION
ACTIONS IN THE COMMUNITY SPHERE AND EMERGENCY
ACTIONS FOR SPACE OF REFLECTION

01



Stradivarius´ window-dressing team.

inditex

What is it?

Inditex is a fashion distribution group that is among the most important in the world. Its main characteristics are customer orientation and vertical integration that deals with all phases of the fashion business from design up to sales in its own stores including manufacture and logistics. In 2007, its sales stood at 9,435 billon euros, 15% more than the previous year. Its net profit grew by 25%, up to 1.25 billon euros. The Inditex group is comprised of seven commercial formats.

ZARA
Pull and Bear
Massimo Dutti
Bershka
Stradivarius
oysho
ZARA HOME

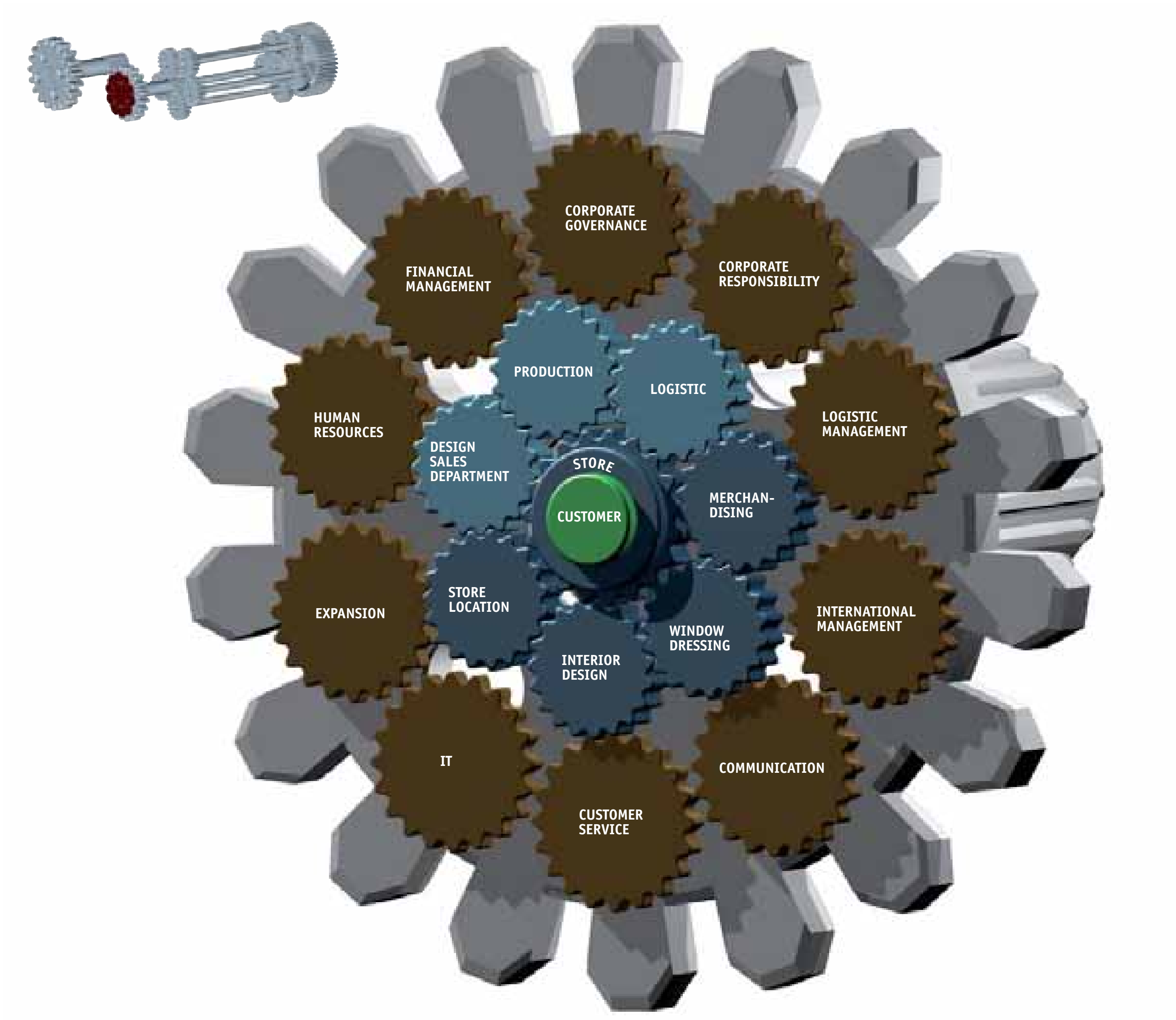
Its corporate structure is completed with approximately one hundred companies dedicated to textile manufacture, logistics and commercial distribution. Inditex was present to 31 January 2008 in 68 countries with 3,691 stores. Its principal market is Europe, in which 80% of its business is concentrated.

At the close of 2007, Inditex was comprised of 79,517 professionals of 140 nationalities, 80% of them women. Inditex has quoted on the stock exchange since 2001 and is included in international sustainability indices such as *FTSE4Good*, the *Dow Jones Sustainability* and the *FTSE4Good Ibex*.

An innovative business model

The Inditex business model has been characterised from the outset by customer orientation and continuous innovation. The current dimension of the company has been attained without distancing itself from these principles of its corporate culture.

Considering the customer as the beginning and end of a business seems obvious in a corporate sense. However, Inditex has given the customer an active role from the start of the chain and turned it into the principal drive for its entire business model. Customer requests are considered by the commercial and design team which, based on this, create some proposals that are sent to stores immediately.



The Inditex business model begins at the point of sale, the store. The store collects information received from the customer, sends it to design centres and commercial departments in real-time and implements a process that materialises this request as quickly as possible. The response from the customer with new requests sets the process going again. Inditex stores receive new products twice a week, thereby giving a quick response to the customer.

This philosophy of customer service is present both in chains and corporate areas of Inditex in such a way that any decision taken in the group, however far away from the store, has the consumer as the active participant.

The multiformat strategy by which Inditex has always worked is another of the aspects that has modelled its innovative personality in the fashion distribution sector. The Group currently operates by means of seven commercial formats (Zara, Pull and Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home). Inditex encourages the commercial autonomy of each one of its chains, managed by its own teams. Nonetheless, all of them share the same business model and coordinate those aspects that can generate synergy.

Internationalization and a new commercial format

In 2007, Inditex's multiformat strategy was strengthened by the international growth of all its chains. The group opened stores in 50 countries and increased the number of markets in which it operates simultaneously with various formats, especially in Europe. Bershka began in eleven markets; Oysho, in ten; Pull and Bear, in eight; Zara, Stradivarius and Zara Home, in five; and Massimo Dutti, in three. This latter chain is the second largest of the group together with Zara and present in China, which last September inaugurated its first store in Macao.

Inditex's multiformat strategy is not limited to management of current chains and always analyses commercial opportunities for new projects. Specifically, the group is working on a new commercial chain of fashion complements and accessories called Uterqüe that will begin its commercial activity during 2008.

Business model: Store / Customer

The store plays an essential role in the Inditex business model that ranges from production up to end distribution. It is the group's interlocutor with the customer, sounds out society, passes on its wishes and is designed to guarantee a pleasant shopping experience.

The overall experience of the customer in the store is considered. Apart from the fashion supply, the interior design of the store, coordination of collections, maximum care over window displays and customer care are some of the elements that guarantee this experience. The stores where Inditex concentrates the majority of its investment are the essence of the group's chains, for which reason the location in the main commercial areas of cities and care over interior design take on vital importance for the company. The store is the group's main image vehicle.

Apart from its location, its window designs and interior design, customer care is one of the elements that Inditex takes most care of: its relationship with consumers. Personnel receive specific training on customer care as one of the main intangible values of the store. Inditex establishments are thought out so that the encounter between the customer and fashion can take place in a pleasant environment. Store personnel with supervisors as the main drivers of quality of service, encourage freedom and comfort of the visitor by taking an active role in the shopping process exclusively when the customer requests this.

As a letter of introduction and point of connection between the customer and Inditex, the store is also one of the main exponents of the group's environmental and social culture. Inditex's business model starts at customer requests but is not limited to responding to their wishes in the field of fashion. Sustainability and the environment, concerns that Inditex has considered since its foundation, in 2007 had a special drive. In July, the company presented its Environmental Strategic Plan 2007-2010 (PEMA 2007-2010) that is centred on five projects and that turns the store into one of the references with regard to sustainability.

PEMA 2007-2010 detailed on page 154

In a social context, the customer finds in Inditex Group stores products that are subject to standards of health (*Clear to Wear*), safety (*Safe to Wear*) and socially responsible production (*Tested to Wear*), that comply with the most demanding international regulations. Furthermore, Inditex designs and renovates its stores in line with accessibility criteria. The group's architecture team, responsible for all store projects, puts special emphasis on the elimination of barriers in establishments to facilitate access to people with mobility problems and the introduction of technical adaptations such as escalators or access ramps, among others, so that all customers can move around freely. The maximum exponent of this philosophy of accessibility of Inditex is the store that Massimo Dutti inaugurated in November 2007 in Allariz (Ourense), managed totally by people with some physical disability and with technical solutions aimed at favouring the accessibility and mobility of disabled persons.

The standards *Clear to Wear*, *Safe to Wear* y *Tested to Wear* on page 84

Project *for&from Special People* on page 102

Emblematic stores in 2007

The chains' architecture teams integrally develop the group's store projects by combining the global image formats with the architectonic singularities of each establishment. Projects are designed individually to take maximum visual and functional advantage for the store, by turning each establishment into a special place. One of the most emblematic projects that architecture teams carried out in 2007 was the first Zara store in Peking, located in the shopping gallery The Place. Direct access from the street opens out onto an eye-catching facade that is designed to adjust its original character to its excellent location in one of Asia's most important cities.

The Zara openings in Bologna (Italy) in the former Metropolitan Cinema; in Gothenburg (Sweden) in the area of Arkaden; in Oslo (Norway) in Tostrupgarden, one of the most relevant buildings of Carl Johann, the main commercial Street in the Norwegian capital, are samples of the care that Inditex dedicates to the location of stores from all its chains. Other examples from 2007 are found in the new Bershka store on Paseo de Gracia (Barcelona) or Zara Home establishments in Boulevard de la Madeleine (Paris) and the store on calle Serrano (Madrid).

Business model: Design and Manufacture

The vertical integration of the production process and the flexibility of the group's structure are key aspects so that the customer can receive their requests in time. When the store, by means of its supervisors and regional management teams, processes customer requests, the creative team gets to work. Close collaboration between commercial teams and stores is fundamental to comply with customer tastes as much as possible. Zara has more than 250 designers, more than 350 in the entire company.

The next phase is production. In this field, Inditex's characteristic flexibility is achieved thanks to closely-knit production. 49% of Inditex's production is manufactured in this context that mainly deals with Spain and Portugal and also Morocco and other European countries.

35% of Inditex's production is carried out in Asia, 14% in other European countries and the remaining 2% in other regions. The group had to 31 January 2008 a network of 1,187 suppliers globally with which it maintains stable relationships under a prism of ethics and responsibility. As an active part of the supply chain, Inditex extends to all its suppliers its policy of corporate responsibility and social undertaking by means of the implementation of the code of conduct of manufacturers and external workshops whose acceptance is obligatory to be able to maintain commercial relations with the group.

Inditex regularly implements procedures for auditing and control of compliance with the code of conduct by its suppliers. International institutions and independent auditors are those responsible for carrying out these periodical audits based on international standards such as the *Base Code* of *Ethical Trading Initiative*, ILO and United Nations agreements and the 10 principles of the *Global Compact*, among others.

Detailed information on the control of the production chain on page 76

Agreement with ITGLWF to boost international compliance with labour rights

The content and scope of the agreement with ITGLWF will be developed on page 64

In October 2007, the audit and production process control work carried out by Inditex was ratified by the agreement signed by the first Vice-chairman and Board Member of Inditex, Pablo Isla, and the Secretary General of the International Federation of Textile, Clothes and Leather Workers (FIITTVC), more commonly known by its English acronym ITGLWF, Neil Kearney. The agreement considers collaboration of both organisations to watch over compliance of Inditex's code of conduct with international labour regulations arising from ILO and UN agreements as well as OECD guidelines. It is the first pact of this nature in the sector that has an influence on the analysis and review of the production chain.

The agreement, based on the significant international production of both organisations, highlights the essential role that union freedom and right to collective negotiation should have in all countries.

ITGLWF is the international union organisation that organises workers from the sector and defends their interest and acts as an information and support centre for their affiliates. ITGLWF gathers together 220 organisations affiliated in 110 countries with 10 million workers. In Spain, the union federation's FITEQA-CC.OO and FIA-UGT – both with representation in Inditex - form an active part of ITGLWF.

Inditex considers that its policy of corporate social responsibility includes the undertaking to improve the application of labour and social rights and quality of life of communities in which their manufacture activities are carried out. This means that supervision of compliance with the code of conduct of manufacturers and external workshops is completed with programmes for strengthening of the production chain and corrective action plans for suppliers that require this.

Inditex's corporate social responsibility policy in the scope of the production chain is completed with work groups comprised of participants in the process (suppliers, unions, buyers and corporate associations) with the aim of encouraging respect for fundamental rights and promoting innovative processes. These clusters of suppliers are active in Portugal, Morocco, Turkey, Bangladesh, India and China.

Business model: Logistics

If the store is at the service of the customer, logistics is at the service of the store. The logistics system, supported by computer applications developed by company teams, enables an average deadline of 24-hours for European establishments and up to a maximum of 40 hours for stores in America or Asia for the process starting from receipt of the order in the distribution centre up to delivery of the goods in the store.

Inditex's logistics is carried out from distribution centres located in Spain. From these centres, located in Arteixo (A Coruña), Narón (A Coruña), Zaragoza, Meco (Madrid), León, Tordera (Barcelona), Elx (Alicante) and Sallent de Llobregat (Barcelona), the product is regularly sent to all the group's stores all over the world. Inditex's logistical facilities exceed one million square metres of area, have more than 4,000 employees and, in 2007, distributed 627 million garments.

The speed necessary to respond to customer requests and the capacity to absorb the international growth of Inditex means a constant improvement of the logistics system. Together with investment on opening and renovation of stores, investment on logistics and information technologies is one of the most significant of the group as it is considered a key aspect to ensure growth of the business. Current logistical organisation is designed to absorb the growth of the group over the coming years.

Inauguration of the Meco logistics platform (Madrid)

In April 2007, Inditex finished one of its most relevant logistics projects with the implementation of the Meco logistics platform in Madrid, a project

that began in January 2006. This new logistics centre in which 100 million euros was invested, has enabled increasing the distribution of the group and adjusting it to the growth foreseen for the next few years.

The platform has a built area of 160,000 m^2, 120 automated loading and unloading bays and two automatic silos for vertical storage.

Its location enables quick connection with the European high-capacity road network as well as principal airports from which Inditex carries out air load operations. It is also in perfect communication with the remainder of Inditex's logistics platforms and activity centres in Spain.

Business model: Distribution in own stores

International vocation has always been a constant in Inditex. Its customers share a global taste for fashion that transcends cultures or frontiers. To meet this demand the group has preferentially opted to open self management stores, in other words, operated by Inditex or by a company in which Inditex has a majority of capital. Inditex has entered specific markets by means of franchise agreements with local textile distribution companies who are leaders in the sector, which operate Inditex chains with the same guidelines as those followed in the rest of the group's stores.

The self management strategy for stores favours the flexibility over supply and maintenance of a unitary and global concept of Inditex brands all over the world. The customer recognises Inditex's offer in any country: a fashion supply that is always attentive to the latest fads and desires of customers in a carefully designed environment.

Inditex in society

Customer service

The importance of customer care is based on Inditex's business model. The fashion requests collected by stores leads to the initiation of the productive process, which puts together a supply in agreement with the customer's wishes as quickly as possible. This business strategy involves constant relations with the commercial supply and bringing personnel closer to the customer.

Some of the principal novelties of chains during the year originate in the group's customer orientation. In this way, Zara has launched *Zara for Mum*, a collection of maternity wear that is available in all the chain's stores. With this same philosophy, Zara Home has set up the the group's first online store, operational since October 2007 in fourteen European countries. Oysho has increased its age range supply with *My First Oysho*, a new underwear line for girls and Massimo Dutti has broadened its personalised tailor service, *Personal Tailoring*, incorporating new fabrics and special supplies.

Getting to know the customer is one of the challenges of the chains, for which reason Inditex regularly implements customer care courses for its store personnel. In 2007, Massimo Dutti implemented programmes for its store staff with a special emphasis on product supply. Training concentrated on in depth knowledge of the the chain's product, the concept of each collection and customer profile with the aim of providing a close and cordial consultancy service.

Information technology also contributes to continuous improvement of customer care. In this regard, last year Inditex made progress on implementation in stores of the Store Management Terminal (SMT), equipped with a computer programme that facilitates access by store personnel to information on product, warehouse and communication with the management of each chain, thereby speeding up customer service and improving commercial management.

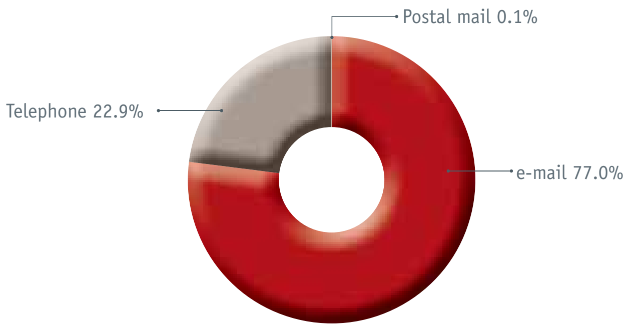
Affinity Card

In 2007, Inditex made more progress on getting closer to customers by means of the Affinity Card, the loyalty card for all the group's chains that offers a series of financial advantages to its beneficiaries. Since 2007, Affinity Card which in Spain had 721,712 holders at the close of the year, is also available in Mexico and Greece, two of the markets in which Inditex is most present.

The attention that Inditex stores offers in establishments is completed with a communication service with customers who wish to have additional information on any matter related to the different commercial formats or to the group. All applications received at the group's headquarters in Arteixo or in each one of the chains are dealt with individually by a specialised team of professionals. Last year, Inditex dealt with more than 60,000 questions, of which 77% were made by email by means of the web page of each one of the chains or by means of the corporate web page www.inditex.com. 22.9% were received by telephone and 0.1% by mail. The main reasons for customer communications corresponded to various queries on Inditex's commercial activity or on specific products.

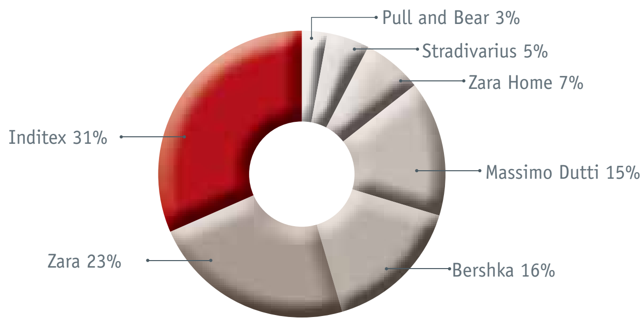
Customer care

Queries received in 2007 by category

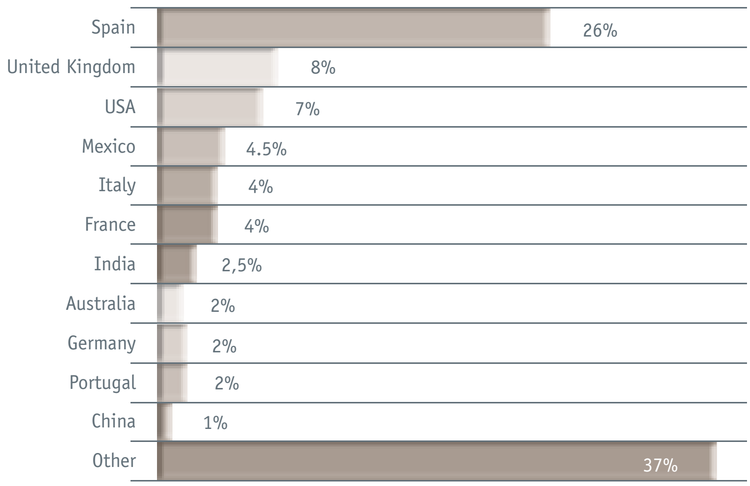


Electronic queries received in 2007 by chain

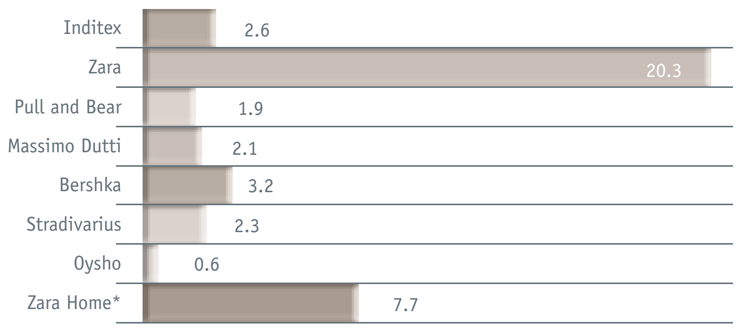
Total queries received: 46,914



Origin of electronic queries received in 2007



Visits to Inditex web page in 2007
(as millions of visits)



(*) The data from Zara Home correspond to the period 29/10/07-31/01/08, from the start of online sales up to close of the year.

In the last few years, internet has turned into another window display of Inditex chains. In 2007, the group and the respective chains' corporate webpage received a total of 40.68 million visits, of which 50% corresponded to the Zara webpage, the chain with most international presence. This year, Inditex implanted a new online initiative. Zara Home created the first Inditex Internet store in October 2007. The virtual establishment of the specialised home fashion chain is available in 14 European countries and has meant a real challenge in the field of customer care. Since its launch, Zara Home online has had a specialised team for Internet customer care. This team takes queries by e-mail or telephone on the procurement process in six languages (Spanish, German, French, English, Italian and Portuguese). During the three months activity in 2007 this service dealt with 7,617 queries (over 80% by e-mail).

With regard to complaints presented by customers to Spanish consumer authorities, in 2007 a total of 2,290 complaint forms were registered - 0.009 complaints per thousand units commercialised - which means a very high customer satisfaction index. Store personnel resolved the majority of queries put forward by customers at the same point-of-sale, thereby guaranteeing the quickest and most comfortable response.

Relationship with the media

Transparency is the value by which Inditex's relationship with all its interest groups is governed: employees, customers, suppliers, shareholders and the company.

In the permanent dialogue that Inditex holds with the company, the media play a significant role as interpreters and relevant intermediaries. In this context, transparency is specified by accessibility to information that Inditex provides to all media. Inditex's Directorate-General for Communication and Institutional Relations channels this work on permanent and fluid communication by means of a human team with presence in more than 10 countries or geographical areas that have are permanently in contact with journalists from more than 65 countries.

In 2007, Inditex accounted for 48,196 press appearances in the 32 countries in which detailed monitoring is carried out. This presence in the media duplicates that registered the previous year and is a reflection of the interest that Inditex and its commercial chains awakens all over the world as the group increases its international presence. More than 90% of the appearances correspond to European press (43% from Spain). With regard to the rest of the world, the increased interest among media from the Asia-Pacific that coincides with the increased presence of the groups' chains in this region.

During 2007, Inditex saw more than 6,000 requests from media from all over the world. The international expansion and the the group's business model were responsible for approximately half the requests, followed mainly by financial, corporate information and social responsibility.

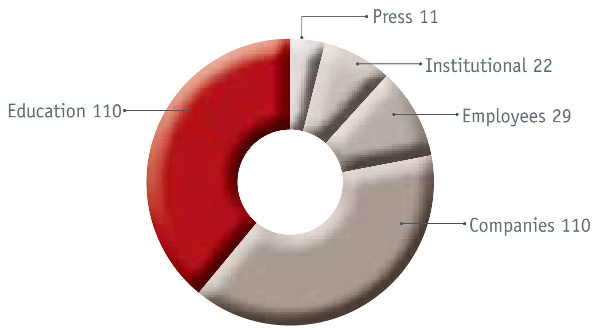
In 2007, Inditex distributed 21 press releases on its business, all available on the group's corporate web page (www.inditex.com), one of the principal points of contact of the company with the press. The online press room has an open database of all press releases and other information on the group, annual reports and corporate presentations.

During the year, Inditex held various meetings with media from all over the world in the framework of various events such as the presentation of financial results, entry on new markets or the inauguration of emblematic stores.

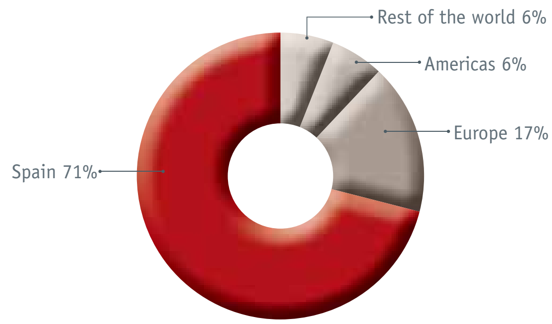
Institutional visits

A large part of the undertaking of transparency that Inditex has with society is based on its open doors policy. Last year, the group received 324 visits to its facilities by various types of institutions such as educational, corporate, media institutions, or employees. In total, during 2007, 3545 people visited Inditex facilities, in other words 16.5 visitors on average per day, 24% more than the previous year.

Number of visits



Origin of the visits



Visitors get to know Inditex's business model by means of all the group's production processes, from design to pilot stores and the commercial, pattern, manufacture and logistic departments.

Relationship with shareholders

Inditex shares are represented by means of account annotations. The register of these annotations corresponds to the Management Company of the Systems for Registry, Compensation and Liquidation of Shares (Iberclear). Inditex had 64,154 shareholders according to data from form X-25 that the company requested from Iberclear due to the holding of the Ordinary General Board of Shareholders of 2007. Of these 60,434 were individual shareholders and the remainder investment institutions. By incorporating significant participations registered in the Spanish National Securities Market Commission, the approximate summary of the shareholder structure is the following:

Shareholder body	Shares	%
Individuals	24,987,213	4.01%
Institutional investors	228,743,124	36.70%
Partler, S.L.	57,872,465	9.28%
Gartler, S.L.	311,727,598	50.01%
Total	**623,330,400**	**100.0%**

Shareholder office

Any individual shareholder can visit the shareholder office to request detailed information on the performance of the business and future strategy. The shareholder office dealt with more than 1,000 petitions during 2007.

The shareholder office takes on special relevance during the period for the call and holding of the General Shareholder Body that is traditionally held halfway through July in Inditex's corporate headquarters in Arteixo (A Coruña). The sending of information and documentation is carried out specifically to provide shareholders with appropriate knowledge on the call and content of the General Board as well as to facilitate their participation in the process of the taking of decisions by the group's maximum governing body.

Corporate web page

The corporate web page includes all relevant information for shareholders and investors. Any user can view, among other information, daily and historical quoting of the share, Inditex annual public reports from 1998, financial information registered in the Spanish National Securities Market Commission (CNMV) and the financial calendar. In 2007, the section on information for shareholders and investors on the corporate web page received 728,403 visits.

Department of relations with investors and analysts

Approximately 50 financial and stock entities publish analysis reports with regard to the Inditex share, which is placed as the third Spanish company by amount of coverage. More than 3,700 institutional investors, who hold 36.70% of shareholder capital play a key role in formation of the share price and its liquidity.

Relevant information on the performance of the business is communicated quarterly to the CNMV, the set of shareholders and the financial community. This relevant information includes the balance sheet, P&L account and management report.

This same procedure is followed with information referring to relevant events that affect the performance of the business. This information is accessible immediately by means of the corporate web page and is distributed to a database of investors and analysts with more than 1,100 registries.

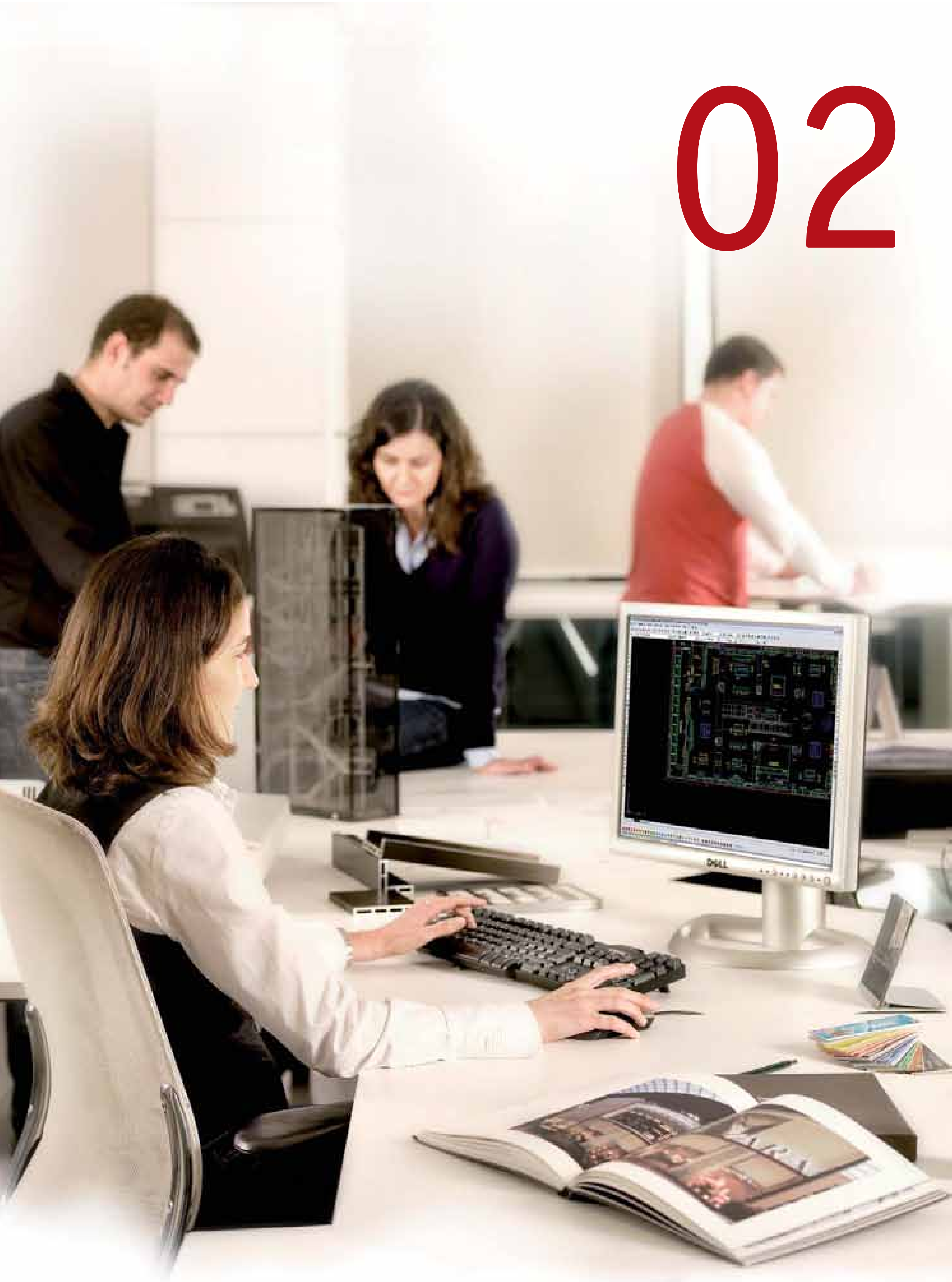
In the scope of institutional investors, Inditex complements this information with freely accessible multiconferences to explain the quarterly results and performance of the business. It also holds information meetings in the principal financial capitals and visits to corporate facilities.

Activities with institutional investors

Inditex holds two annual *roadshows* in which it presents the results of the first semester (spring-summer season) and the whole year (after the autumn-winter season) by visiting the world's principal financial capitals. Over two and a half weeks, the principal investors have access - mainly by means of individual meetings - to the strategic viewpoint of the management team. During these visits direct contact is established with more than 200 investors.

Visits to investors from different countries or geographical areas are also organised. In the past year presentations have been made in the principal financial capitals of Europe and Asia in front of more than 100 institutional investors. Institutional investors also visit Inditex facilities to go further into depth on knowledge of our organisation, its business model and corporate strategy. Throughout 2007, meetings have been held with approximately 60 institutional investors from all over the world. 64 videoconferences and multiconferences have also been held.

02



Zara´s Architectural team

inditex

What did it do in 2007?

Key figures for the year

Inditex achieved a consolidated turnover in 2007 of 9,435 million euros, 15% more than in the foregoing financial year, 17% with constant perimeter and exchange rate. This increase is produced both by growth of 16% in commercial area and by the behaviour of sales on a comparable area, which grew by 5%. The net profit was 1,250 million euros, with growth of 25% compared with a year earlier. The gross margin was of 5,349 million euros at the close of the financial year, increasing by 16% and being located at 56.7% of sales. EBIT and EBITDA grew by 22% and 20%, respectively. The costs increased by 15%, in line with the growth in sales.

The annual compound growth rate of sales over the last three years is 19%, and in this period the Group has invested close to 2,800 million euros, fundamentally devoted to the opening of as many as 1,447 new stores, which has made it possible to continue with the expansion strategy, both in those countries in which the Group had a commercial presence and in the twelve new markets that have been opened during this period. The figures achieved in the 2007 financial year reinforce this position of leadership, based on a solid operating performance and a satisfactory financial development.

Inditex is characterised by strong cash generation, which is devoted to reinvestment in the business and maintaining an attractive remuneration for the shareholder. In 2007, the cash generated increased by 30% to 1,817 million euros. The investments, which are devoted principally to opening new stores, were 942 million euros, while 522 million were devoted to remunerating the shareholders, 25% more than the previous year.

The group increased its commercial area by 16% over the period, up to 1,914,493 m^2 at the close of the financial year. Europe, the main area of activity of Inditex, has again been the region that has absorbed the majority of this growth, with increases in commercial area that are as significant as those of Russia (65%) and Eastern Europe (61%). Asia-Pacific, the main area of growth for Inditex after Europe, has increased its commercial area by 32%, fulfilling the objective of the Group of increasing the commercial area in this region at a rate that doubles the growth all over the world.

This increase in commercial area by 16% is the result of the opening during 2007 of 560 new stores, the highest figure achieved by the Group in a single year. The company has opened stores in fifty countries and after our entry into four new markets -Croatia, Colombia, Guatemala and Omán- it had at the close of the financial year 3,691 stores in sixty-eight countries. During 2008 the Group expects the opening of between 560 and 640 new stores. Korea, the Ukraine, Egypt and Montenegro will be among the new markets to which the activity will spread. The expansion of Inditex in 2007 was characterised, furthermore, by the greatest international growth in its history, with 80% of the new stores located outside Spain. As a result, the sales in the European markets (not counting Spain) amounted to 42.4% of the total, compared with 40.6% in the previous financial year. America maintained its contribution of 10.8% to sales in 2007. Sales in Asia and the rest of the world rose to 9.4% of the total.

In this financial year, Zara raised to sixty-eight the number of markets in which it operates, after entering Croatia, Slovakia, Colombia, Guatemala and Oman. Pull and Bear has extended its activity to eight new markets: Belgium, Slovenia, Hungary, Serbia and Latvia, in Europe; apart from Guatemala, Saudi Arabia and Malaysia. Massimo Dutti has opened its first stores in Serbia, China and Malaysia, and is now operating in 32 markets. Bershka and Oysho have extended their commercial activity to eleven and ten new countries, and have achieved a presence in 35 and 22 markets, respectively. Hungary, Serbia, Rumania, Slovakia and Oman have been the countries in which Stradivarius opened its first stores during 2007. Zara Home, finally, has achieved a presence in twenty markets after opening its first stores in five new countries during the financial year (Russia, the Lebanon, Jordan, Qatar and Oman).

This continuous growth in the activity has led for a further year to a significant generation of employment. Inditex created over 10,000 jobs in 2007 and the Group was made up on 31st January 2008 of a total of 79,517 professionals.

The consolidated annual accounts (pag. 177) and the management report (pag. 246) supply the most significant data to measure the financial development of Inditex. At www.inditex.com it is possible to consult the reports from previous years.

Main indicators

Results (in millions of euros)	2007	2006	2005	2004	TACC 07/04
Sales	**9,435**	8,196	6,741	5,569	19%
EBITDA	**2,149**	1,790	1,459	1,227	21%
EBIT	**1,652**	1,356	1,094	922	21%
Net profit	**1,250**	1,002	803	639	25%
Balance (in millions of euros)					
Net assets	**4,217**	3,471	2,921	2,393	21%
Net financial position	**1,052**	714	703	489	
Stores					
No. of stores at the close of the financial year	**3,691**	3,131	2,692	2,244	
Net openings	**560**	439	448	322	
Increase in the commercial area	**16%**	16%	22%	19%	
Number of countries with commercial presence	**68**	64	62	56	
Other relevant information:					
Contribution of international sales	**62.5%**	60%	57%	55%	
Like-for-like sales	**5%**	5.5%	5%	9%	
ROE	**33%**	32%	30%	29%	
ROCE	**43%**	43%	41%	42%	
Employees	**79,517**	69,240	58,190	47,046	

Stock market performance

The evolution of the stock exchange markets in 2007 has been marked by the difficulties arising in the financial sector in the second half of the year. The bad news from the United States mortgage market and its impact on the whole of the financial sector had as a consequence a reduction in the expectations on world economic growth.

The readjustment of portfolios which took place throughout the last quarter of the financial year to adapt to the new expectations caused a fall in the prices for securities in the consumer sector which led the sectorial indices to end the tax year 15% below their initial value.

The evolution of the prices of Inditex has continued the tendency shown by the set of securities linked to the consumer sector. The Inditex quotation went down by 23% during the financial year, closing at 33.5 Euros per share on 31/1/2008. The average value negotiated has exceeded 2.8 million shares a day. In the same period, the Spanish reference index, Ibex35, dropped by 9%. This evolution in Inditex´s share price has occurred after a 53.8% increase in 2006 and a 30.2% growth in 2005.

The stock exchange capitalisation of Inditex stood at 20,882 million Euros at year-end, 128% above the price when it was first listed on 23rd May 2001, against an increase in the Ibex35 over the same period of 37%.

In July, 2007 the dividend corresponding to the 2006 financial year for an amount of 0.84 Euros per share was paid, 25% more than in the previous financial year.

Milestones for the year

02/02/2007

Zara opened up its first store in Peking, in The Place Shopping Centre. The Chinese market, together with Japan and Korea– where Inditex will enter in 2008- will be the main axes of the expansion of Inditex in the Asia-Pacific region.

05/02/2007

Inditex is one of the companies selected by Corporate Knights to make up the 'Global 100', an index which identifies the one hundred companies with best practices in sustainability in the world.

28/02/2007

Massimo Dutti opened up its first store in the Malaysian capital, Kuala Lumpur. This is the second chain after Zara to reach the Asia-Pacific region. They were followed by Pull and Bear with its first store in this market, opened in November 2007.

12/03/2007

Zara opened up in the heart of Florence, in Via Calimala. This is store number 1,000 of the chain since it opened its first in 1975.

13/03/2007

The Spanish Corporate Reputation Monitor (MERCO) makes Inditex the second Spanish company with the best reputation. Inditex is, furthermore, the company which is growing most among the first ten in the table. Amancio Ortega, Chairman of Inditex, heads the league table of the most highly valued business leaders.

28/04/2007

Zara, Bershka and Pull and Bear opened up the first Inditex stores in Guatemala.

01/06/2007

Pull and Bear takes a significant step in its expansion with the entry into Belgium, one of the European markets in which Inditex has a long trajectory and a deep commercial presence. This store, number 500 in the chain, was opened on an excellent site in Rue Meir, in the centre of Antwerp.

solid brands

Corporate

interna

Investment in logistics

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31/02/2007

Inditex is executing its option of purchase over 98,000 m2 of land at PlaZa, the Zaragoza logistical platform. On this complex, Inditex in 2003 started up a distribution centre for the Zara chain, with a service approach which was principally directed to the stores in Europe. The new land, adjacent to the plot on which the current facilities are, will make it possible to extend a centre that in 2007 moved 125 million garments.

23/03/2007

The Generalitat of Catalonia grants permits which will make it possible for Inditex to carry out an extension of its logistical facilities at Tordera/Palafolls (Barcelona). This is where the headquarters and distribution centres of the Massimo Dutti, Bershka and Oysho chains are..

10/04/2007

Inditex inaugurated a new distribution centre in Meco (Madrid) which serves the stores of Zara and Zara Home. For the start up of this centre, the Group has made an investment of 100 million euros. The platform has a built area of 160,000 m², 120 automated loading and unloading bays and two automatic silos for vertical storage.

20/06/2007

Bershka opened up a store in the virtual community, Second Life, a reference space for many customers of the brand. The store in Second Life has an area of 5,400 m² and is on an island that is owned by the chain, where recreations of the fashion collections and a wide range of complements and footwear are presented, with a rotation that is similar to that of a real store.

28/06/2007

AMITH (the Association of Textile Manufacturers of Morocco), with whom Inditex is collaborating in the cluster of Moroccan suppliers, has announced the start up of a programme so that its members incorporate the 'Fibre Citoyenne' certification, which sets standards of a social nature for the production of textile products..

17/07/2007

The General Meeting of Shareholders of Inditex approves the distribution of a dividend of 522 million euros - 84 cents per share-. This remuneration is 25% higher than the previous year and involves an increase of 75% on the dividend distributed in 2005.

23/08/2007

Zara, Bershka and Stradivarius opened up their first stores in Slovakia.

28/08/2007

Macao has joined the Chinese cities in which Zara has extended its activity. The first store opened by Massimo Dutti in this Asiatic country is also in this town.

29/08/2007

Inditex has reached Croatia, a European market where it did not have a presence. The first stores belong to the Zara and Bershka chains.

04/10/2007

Inditex and the International Federation of Textile Workers (ITGLWF) have signed a pioneer agreement according to which both organisations will share their efforts to watch over the fulfilment of the Code of Practice for External Suppliers and Manufacturers.

26/10/2007

Zara Home is making a start on the Russian market. The opening is taking place in Moscow in the Atrium shopping centre. This opening is followed by another from the Oysho chain, which has also begun its commercial activity during 2007 in Russia, one of the markets where the most significant growth is being produced.

29/10/2007

Zara Home has started up www.zarahome.com, the first group store on the internet, operational in fourteen countries. The online store has started off with 2,000 references from the Zara Home collections.

alue to the shareholder

Social Responsibility, strategic value

tional vocation

ntal variable

Response to customers

rocesses

emblematic locations

17/07/2007

Inditex presents to its shareholders, in the framework of the Annual General Meeting, the Strategic Environmental Plan 2007/2010, with an investment of seventy million euros in five programmes which affect all the areas of activity of the company..

26/07/2007

Zara is beginning Inditex's commercial activity in Colombia, with openings in Bogota, Cali and Medellin.

28/07/2007

The 'Best Global Brands' league table by the Interbrand consultant, published by Business Week, sets the value of the Zara brand at 5,165 million dollars. It is the brand that, among the 100 most valuable firms in the world, has achieved the second highest annual increase in value, 22%.

17/09/2007

In the Middle East, where the Inditex Group has a presence with a number of chains in different countries, the arrival in a new market, Oman, has occurred. The Group has made a commitment to multi-format development with the opening of Zara, Stradivarius, Oysho and Zara Home.

05/10/2007

Oysho has opened its first store in France, one of the most significant markets for Inditex, where since 2007 it has been operating with all brands. At year end, the Group had some 184 stores and employed almost 5,000 persons in this country..

05/10/2007

Zara Home is opening its largest store in the world, at an area of almost 1,000 m^2 in calle Serrano, one of the main commercial streets in Madrid.

31/10/2007

Pull and Bear, Massimo Dutti, Bershka, Stradivarius and Oysho have opened their first stores in Belgrade, joining Zara in the expansion of Inditex in Serbia.

23/11/2007

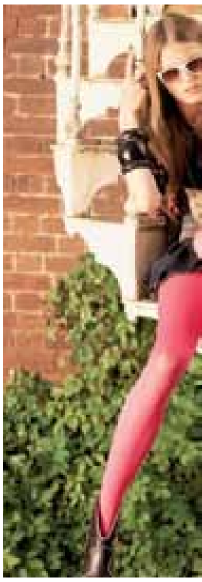
Massimo Dutti has opened at Allariz (Ourense) the second store *for&from Special People*. The staff is entirely made up of people with some physical incapacity The Massimo Dutti architectural team has played a significant part fitting technical instruments to make the store a model of total accessibility.

03/12/2007

Bershka opens its store number 500 since its launching in 1998, at a prominent location: Paseo de Gracia street in Barcelona.

Commercial concepts



The Inditex Group closed 2007 with an increase of 15% in its turnover, thanks to the growth in sales in all its concepts.

Inditex's seven commercial formats share the Group's business model and the corporate philosophy of putting the customer at the centre of their activity. From this point of view, each one of the chains focuses its goods on a certain kind of customer with whom it shares a style and vision of fashion.

Zara is the principal chain in the Group, with a contribution to total sales of 66.4%. The remainder of the commercial formats have raised their contribution to the sales in the 2007 accounting year to 33.6% from 32.5% the previous year.

ZARA
Pull and Bear
Massimo Dutti
Bershka
Stradivarius
oysho
ZARA HOME

	Sales by format*	Contribution by format	No. of stores financial year 2007	Net openings 2007	New markets 2007	Countries in which it operates
Zara	6,264	66.4%	1,361	186	5	68
Pull and Bear	614	6.5%	519	52	8	35
Massimo Dutti	696	7.4%	426	27	3	32
Bershka	925	9.8%	510	77	11	35
Stradivarius	521	5.5%	381	77	5	24
Oysho	213	2.3%	290	89	10	22
Zara Home	201	2.1%	204	52	5	20

(*) In millions of euros


ZARA

Key Data

www.zara.com

Net sales: 6,264 million euros

EBIT: 1,116 million euros

EBIT Margin: 17.8%

ROCE: 41%

Contribution to total sales: 66.4%

Number of openings in the financial year: 186

Number of stores at year end: 1,361

Number of new countries in the financial year: 5

Number of countries in total: 68

Since it started in 1975, Zara has revolutionised the world of fashion with an innovative business model. The first chain of the Inditex Group is one of the main international fashion companies with a flexible organisation which is capable of interpreting, adapting and bringing the trends to millions of people.

In 2007, its vocation of attending to the demands of all its customers led it to launch its first collection of maternity wear. The Zara for Mum line went on sale in March in over a hundred stores in the main cities of Spain and since September it has been available at all establishments of the chain in the world with a wide range of articles.

The permanent adaptation of Zara to the tastes of the consumers not only is centred on the fashion options but also on the design of its points of sale, always with review on the part of the architectural team. In 2007, the men's section of Zara brought out its new image, with a set of furnishings in which straight lines and sober tones predominate, in accordance with the latest trends in masculine fashion. New openings incorporate this image, which is also applied in refurbishment projects of existing stores.

The chain continued its expansion process with openings in the main commercial areas of large cities. In line with the strategy of growth of the Group which makes Russia and China two of the most important markets, in 2007 Zara opened up in Peking with the first store of the Chain in the Chinese capital, and continued its growth in the Russian market with openings in Moscow, Kazan, Rostov and Novosibirsk. In Europe, stores opened in such places as Bologna and Naples (Italy), Frankfurt (Germany), Goteborg (Sweden) and Oslo (Norway). What is more, the chain began to operate in five new markets: Croatia, Slovakia, Guatemala, Colombia and Oman.

In 2008, Zara plans to continue its growth with Europe as the domestic market and to accelerate its development in Russia, with its entry into cities such as Samara or Krasnodar, and in China, in cities such as Tianjin, Nanjing, Shenzhen, Harbin and Dalian.

Principal indicators (in millions of euros)

	2007	2006	△07/06
Net sales	**6,264**	5,534	13%
EBIT	**1,116**	911	23%
EBIT margin	**18%**	16%	-


Pull and Bear

Key Data

www.pullbear.com

Net sales: 614 million euros

EBIT: 99 million euros

EBIT Margin: 16.1%

ROCE: 47%

Contribution to total sales: 6.5%

Number of openings in the financial year: 52

Number of stores at year end: 519

Number of new countries in the financial year: 8

Number of countries in total: 35

Pull and Bear was created in 1991 with the aim of becoming a point of reference for young people in casual wear.

Forming part of youth culture involves speaking the same language and being in connection with their concerns. In 2007, Pull and Bear opened up a key meeting point with its customers with the addition of a blog to its web page. Since its launch, Pull&Blog has been a virtual meeting point between young people who share a single vision of life and fashion. It is an up-to-date site in fashion, music and visual arts.

The international expansion of Pull and Bear, which in 2007 opened fifty-two new stores until it closed the financial year with 519 points of sale, followed the strategic pattern of growth set by Inditex for the next few years, accelerating its presence in European countries.

In 2007, Pull and Bear entered eight new markets: Belgium, Hungary, Serbia, Slovenia, Latvia, Guatemala, Saudi Arabia and Malaysia. The beginning of the commercial activity in Belgium was especially relevant, with a two-storey establishment on the main commercial avenue of Antwerp. This store is, furthermore, number 500 for Pull and Bear.

Principal indicators (in millions of euros)

	2007	2006	△07/06
Net sales	**614**	519	18%
EBIT	**99**	78	27%
EBIT margin	**16%**	15%	


Massimo Dutti

Key Data

www.massimodutti.com

Net sales: 696 million euros

EBIT: 106 million euros

EBIT Margin: 15.2%

ROCE: 44%

Contribution to total sales: 7.4%

Number of openings in the financial year: 27

Number of stores at year end: 426

Number of new countries in the financial year: 3

Number of countries in total: 32

Massimo Dutti orients its goods at independent and cosmopolitan men and women with lines which go from the very urban and sophisticated to more sporting. The chain, which has formed part of the Inditex Group since 1991, includes elegance and style in its collections. In 2007, as part of its efforts to adapt its garments as much as possible to the demands of its customers, Massimo Dutti gave a new boost to its *Personal Tailoring*, line, a personalised tailoring line for gentlemen, by increasing its options in designs and textiles. This service is now available in eighty stores in the chain.

For the chain, with headquarters in Tordera (Barcelona), 2007 has been the year for its presentation in China, a country in which it opened its first store in September. The opening took place in Macao, the fourth city in China with an Inditex Group store after Shanghai, Beijing and Hong Kong. Massimo Dutti, which is the second chain in the Group after Zara to reach the Chinese market, also extended its presence in the Asia-Pacific region to Malaysia.

Apart from its international expansion (the chain opened twenty-seven stores during the financial year and is now present in thirty-two countries), in 2007 Massimo Dutti set a new milestone in its social responsibility. In November, through the Department of Corporate Social Responsibility, the chain opened, in Allariz (Ourense) the second store in its integration project *for&from Special People* with staff made up totally of persons with some kind of physical handicap. The establishment has architectural adaptations and technical solutions which make it a commercial space which is a reference point in terms of accessibility and elimination of barriers. With this store, Massimo Dutti is making progress in the project which it started up in 2002 with a first *for&from Special People* establishment in Palafolls (Barcelona) where people with severe mental disturbances work.

Principal indicators (in millions of euros)

	2007	2006	△07/06
Net sales	**696**	614	13%
EBIT	**106**	81	31%
EBIT margin	**15%**	13%	


Bershka

Key Data

www.bershka.com

Net sales: 925 million euros

EBIT: 154 million euros

EBIT Margin: 16.6%

ROCE: 59%

Contribution to total sales: 9.8%

Number of openings in the financial year: 77

Number of stores at year end: 510

Number of new countries in the financial year: 11

Number of countries in total: 35

Bershka breathes the vitality of its customers. With airy spaces, and music and avant-garde aesthetics, Bershka stores are adapted to the tastes of the youngest. Inditex created this chain in 1998 with the objective of offering a more daring kind of fashion to the youngest female audience and, four years later, it added male fashion to its options.

In 2007, Bershka entered eleven new markets. Following the Inditex international expansion plan, which situates Eastern Europe as one of the regions with the greatest potential, the chain opened in Slovakia, Slovenia, Hungary, Estonia, Latvia, Rumania, Serbia and Croatia. In the case of this latter country, the opening of its first store, simultaneously with that of Zara, meant the entry of the Group into a new market. With its entry into Kuwait and Jordan, Bershka consolidated its presence in the Middle East, a region in which it was already present with stores in Saudi Arabia, United Arab Emirates, the Lebanon and Qatar. What is more, the chain opened its first store in Guatemala.

During the financial year, Bershka was the first brand of the Inditex Group to break into the electronic universe, opening *Second Life* with a virtual replica of a Bershka store with a selection of articles from its collection.

Barcelona was the city chosen by Bershka to inaugurate its store number 500. The establishment, with three floors and a commercial area of 1,500 m^2, is located on Paseo de Gracia and is one of the most emblematic in the chain.

Principal indicators (in millions of euros)

	2007	2006	△07/06
Net sales	**925**	798	16%
EBIT	**154**	131	17%
EBIT margin	**17%**	16%	-


Stradivarius

Key Data

www.e-stradivarius.com

Net sales: 521 million euros

EBIT: 119 million euros

EBIT Margin: 22.9%

ROCE: 74%

Contribution to total sales: 5.5%

Number of openings in the financial year: 77

Number of stores at year end: 381

Number of new countries in the financial year: 5

Number of countries in total: 24

Stradivarius links youth and the urban spirit. Its fashion is designed for the rapid and dynamic style of life of women who want a unique look by combining international avant-garde styles with their own personality. It has formed part of the Inditex Group since 1999 and, at the close of the 2007 financial year, it was present in twenty-four countries with 381 stores.

The headquarters of the chain is located in the Barcelona locality of Sallent de Llobregat, where its central offices, design teams, commercial teams and its logistical centre are. During the 2007 financial year, Stradivarius has continued with the renewal of the image of its stores which it had begun the previous year and has taken a further step towards the strengthening of its brand with a project of unification of the corporate image. With the new graphic style book, the chain has ordered its brand image and its applications. What is more, as a commercial reinforcement of the independent and sophisticated style of the brand, Stradivarius has brought out a new commercial message, *Take me or leave me,* which will accompany the brand in the next few collections.

The 2007 financial year has meant significant growth for Stradivarius in its presence in Europe, after entering four new countries: Hungary, Serbia, Romania and Slovakia. With its opening in these markets, the chain is now operating in the main commercial areas of sixteen European countries. In the Middle East, where it began its activity in 1999, Stradivarius has been the first chain in the Group, together with Zara, Oysho and Zara Home, to enter Oman.

Principal indicators (in millions of euros)

	2007	2006	△07/06
Net sales	**521**	428	22%
EBIT	**119**	98	22%
EBIT margin	**23%**	23%	-


oysho

Key Data

www.oysho.com

Net sales: 213 million euros
EBIT: 40 million euros
EBIT Margin: 18.8%
ROCE: 39%
Contribution to total sales: 2.3%
Number of openings in the financial year: 89
Number of stores at year end: 290
Number of new countries in the financial year: 10
Number of countries in total: 22

As Zara did in the field of fashion since its origins in 1975, Oysho has revolutionised the sector of women's lingerie with the continuous renewal of its garments. The chain started in 2001 with the vocation of transferring fashion trends to intimate clothing. Its proposals stand out for their fun, elegant and comfortable style and for the wide range of accessories which accompany them.

The chain, with its headquarters in Tordera (Barcelona) is a point of reference in female intimate wear and, following the philosophy of Inditex of giving a response to the demands of customers, in 2007 it carried out an extension to its options. *My First Oysho* is the new collection of underwear for babies and girls, from the age of three months to nine years, available in the stores in the chain from July. The children's line has a differentiated space in the establishments.

In 2007 Oysho opened eighty-nine establishments and entered ten new markets (France, Russia, Cyprus, Hungary, Serbia, Romania, Andorra, Jordan, Bahrain and Oman). Of all the openings, the inauguration of the first Oysho store in France, on 5th October, is especially important to Inditex because it means the consolidation of the Group in the French market, being one of the countries, which are all European, which have establishments of the seven commercial formats.

Among the most important openings of the chain is the Oysho store located in Paseo de Gracia, one of the most important commercial arteries in Barcelona. The store, designed by the architecture and interior design teams of the chain, integrates the minimalist image of Oysho with the modernist style characteristic of the area.

Principal indicators (in millions of euros)

	2007	2006	△07/06
Net sales	**213**	165	30%
EBIT	**40**	39	3%
EBIT margin	**19%**	24%	-


ZARA HOME

Key Data

www.zarahome.com

Net sales: 201 million euros
EBIT: 18 million euros
EBIT Margin: 9.2%
ROCE: 20%
Contribution to total sales: 2.1%
Number of openings in the financial year: 52
Number of stores at year end: 204
Number of new countries in the financial year: 5
Number of countries in total: 20

Zara Home, the youngest chain in the group, created in 2003, specialises in fashion for the house. It introduces trends into the home with a wide-ranging textile range, with bedlinen, table-linen and bathroom textiles, which is complemented with crockery and decorative objects.

One of the most significant initiatives that the chain started up in 2007 was the launch of the first Inditex store on the internet. Since October, www.zarahome.com has been operative in fourteen European countries, including five in which it does not have any stores in the streets: Ireland, Germany, Sweden, Denmark, and Luxembourg. What the online store has to offer includes an extensive catalogue of over 2,000 products of all the lines present in the collections of Zara Home. The home delivery of the orders handled by the online store is centralised at the logistical platform in Meco (Madrid), which the Group inaugurated in April, from which products are sent to all the Zara Home stores in the world. The area devoted to the distribution of Zara Home is 43,000 m^2 with a team of over 200 persons who have adapted part of their working processes to include the service of home delivery from the internet store.

In 2007, Zara Home entered five new markets (Russia, the Lebanon, Oman, Jordan and Qatar) and closed the financial year with 204 stores in twenty countries. The entry of the chain into Russia confirms the commitment made by Inditex in this market, which it entered in 2003, and where it is present with all its chains.

During the financial year, the chain inaugurated two of its most emblematic stores. Zara Home opened an establishment on the Boulevard de la Madeleine in June in Paris. The store occupies a historic building, an 18th-Century urban mansion, in which the architecture team has carried out one of its most significant restoration projects of the year, together with that of the establishment that the chain opened in October in Calle Serrano in Madrid, one of the most important commercial areas of the city. This establishment, the largest in the chain, is the first to have small auxiliary furniture among its options.

Principal indicators (in millions of euros)

	2007	2006	△07/06
Net sales	**201**	139	45%
EBIT	**18**	18	1%
EBIT margin	**9%**	13%	

03

inditex

How did it do it?

Educate to transform

This is the slogan which moves the policy of Corporate Social Responsibility of Inditex, one of the most active strategic axes of the company in 2007. But what does it mean? Essentially, conducting educational projects in the factories of our suppliers and in the communities where the workers and their families reside, within projects which include work with and for the community in an integral and sustainable manner.

"Changes in reality are always preceded by the fact that someone had previously dreamed of them. For this reason, the new forms of human relations in the business, political, trade union and social spheres may only be built if we recover the capacity to dream and imagine new alternatives. In our case, from the reality of a complex but sustainable business model.

We are speaking of developing, through working on the net with our interest groups, new forms of living together and of organisation. And for this purpose, new dreams are necessary which make it possible to:

- *Overcome pessimism through a previous change of mentality of the main interested parties.*
- *Invite everybody to participate in designing tools and processes which improve the living conditions of the thousands of workers who people the factories of our suppliers and the communities where they live with their families.*
- *Construct a world with more solidarity through the common exercise of co-responsibility.*

Perhaps, although this new way of thinking- dreaming - may only spread to a limited number of people, we must think that changes are possible, because it is possible to detect that something is beginning to change and that, to manage it, it is necessary to have frameworks for living together - codes of conduct - and practical ways to implant them - the framework agreement between Inditex and the ITGLWF– which guarantees some common ethical minimums which cannot be renounced, and which make it possible for the interested parties - the factory, the community, business associations and local and international federations of trade unions – to feel connected among themselves, since, definitively, we are not alone, but rather we are closely linked together."

Javier Chércoles, manager of Corporate Social Responsibility at Inditex

The integration of the Internal code of conduct in the Inditex model

The traditional world in which the company carried on its activities has changed. It has grown. Everything we do in our close environment probably has influence on another more distant place. Our technological capacities are of such a magnitude that, when we undertake certain nearby and local actions, we have to take other places into account.

The solution to problems of health and safety of the product, respect for Fundamental Human and Employment Rights or the sustainability of a business model that is as integrated as that of Inditex, obliges us to think in terms of time and action in a way that is wider and interrelated.

We all share a common and interconnected world, in such a manner that, when there is a labour crisis in any part of the world, this has an influence on our business model and, at the same time, many decisions in which Inditex does not participate in a direct manner, will alter the life and the future of many of us.

For this reason, this chapter of the Company Report has been conceptualised from the pieces of a great mechanism, all of which is inter-related. A simile which will help us to overcome the traditional and uniform conception of management and to pass on to another of a more plural nature and which will enable us to understand the difference as a source of enrichment for all those who, directly or indirectly are influenced by the conduct of our activities: workers, trade union representatives, managers of the factories, representatives of business associations, universities and social agents, mainly.

A difference which will be responsible for the creation of common frameworks of cohabitation in which between all of us we establish a basis of consensus, some minimums that cannot be renounced and that are inter-related in the form of commitments. For example, non-use of child labour, or of substances that are dangerous to health in the life cycle of the products that are manufactured, marketed or distributed.

Finally, the existence of these minimums that cannot be renounced will make it possible, in the first place, to connect our business model with different and complex realities - clusters, business associations, communities of residence of the workers and their families and universities - and with different actors - workers, heads of chains, factory managers, researchers and defenders of Fundamental Human and Employment Rights - and, in the second place, to connect them all up among themselves. That is where our wealth will lie.

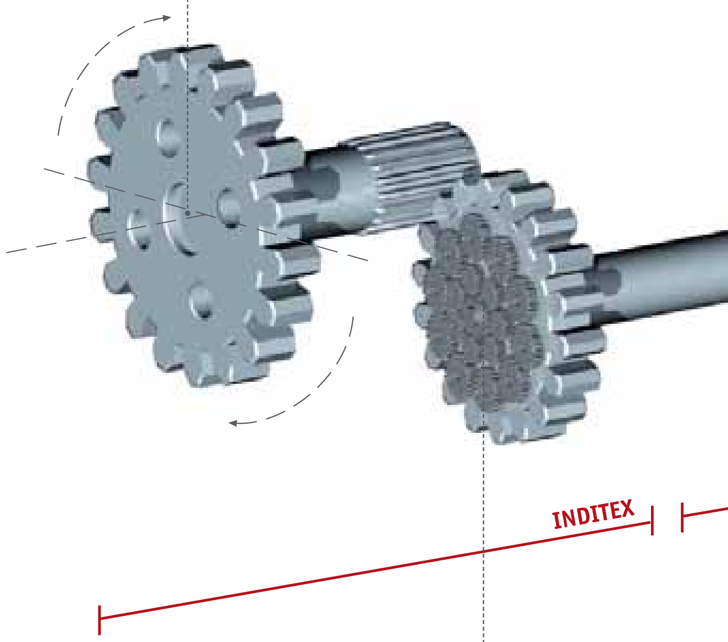
The model of global intervention

THE INDITEX CODE OF CONDUCT

"It is defined as an ethical commitment which includes basic principles and standards for the proper development of relations between Inditex and its main interest groups. It is expressed in three principles: all the activities of Inditex are undertaken in an ethical and responsible manner; all the persons who maintain, directly or indirectly, any employment, economic, social or industrial relation with Inditex will receive fair and honourable treatment and all Inditex's activities will be carried out in a manner that is highly respectful to the environment".

Interest groups:

- Shareholders
- Employees
- Customers
- Suppliers
- Business partners
- Society



THE BUSINESS MODEL

Turnover in 2007: 9,435 million euros.
Number of stores: 3,691
Number of employees: 79,517
Number of countries: 68

CUSTOMERS

"Inditex undertakes to offer all its customers a standard of excellence in all its products as well as guaranteeing that they do not involve any risk to health or safety". (Internal Code of Conduct)

Areas of intervention:
• Standard of health Clear to Wear.
• Standard of safety Safe to Wear.

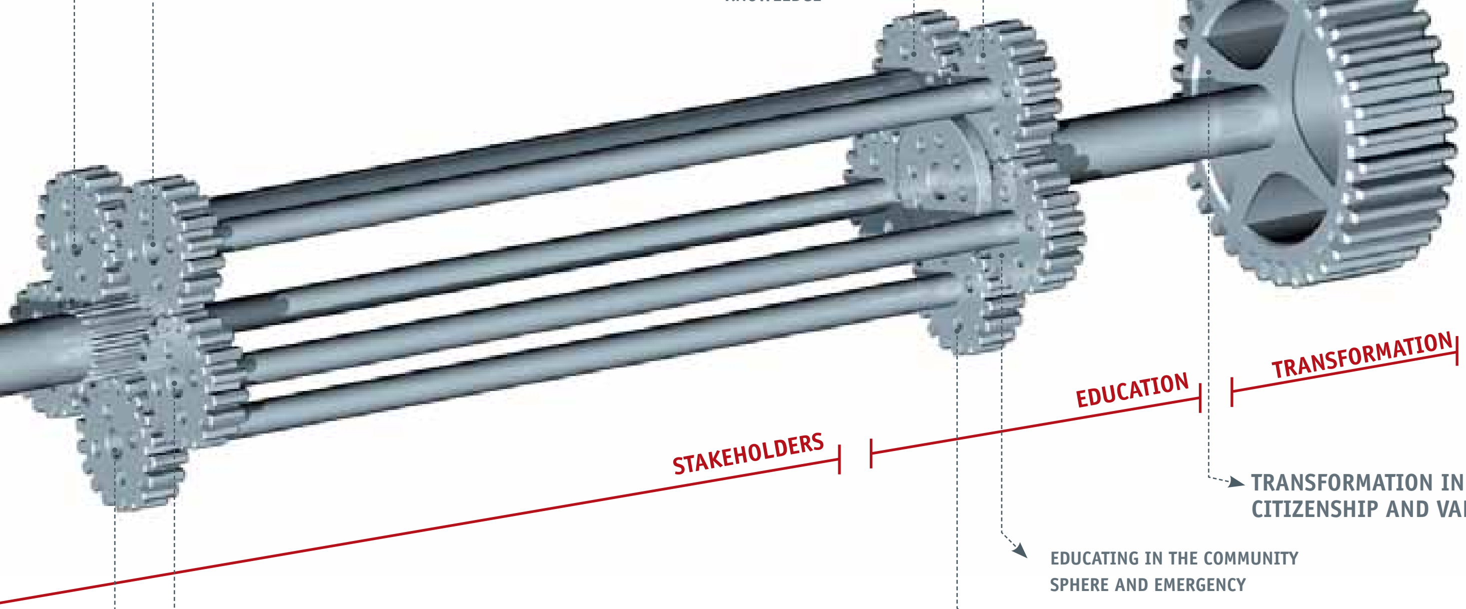
SUPPLIERS

"All the suppliers of Inditex will hold integrally to the commitments of the Code and will promote their responsibility to ensure that both they themselves and their subcontractors fulfil the standards set down in it ..."

Areas of intervention:
• **1,177** suppliers.
• **627** million garments marketed.
• New Code of Conduct for Manufacturers and External Workshops.
• Framework agreement between ITGLWF and Inditex.
• Methodology *Tested to Wear*.
• Social audits and corrective action plans.
• Programmes of Creation of Social Capital.

EDUCATING FROM THE FACTORIES OF OUR SUPPLIERS

EDUCATING FROM KNOWLEDGE



TRANSFORMATION IN CITIZENSHIP AND VALUES

EDUCATING IN THE COMMUNITY SPHERE AND EMERGENCY

EDUCATING FROM SPACES OF REFLECTION

SHAREHOLDERS

"Inditex will undertake its activities in accordance with the corporate interest, understood as the viability and maximisation of the value of the company in the long term in the common interest of all the shareholders". (Internal Code of Conduct)

Areas of intervention:
• Internal Responsible Practices Directory.
• Regulations of the National Securities Market Commission.
• Global Reporting Initiative.
• Dow Jones Sustainability Indexes.
• FTSE4Good Index.

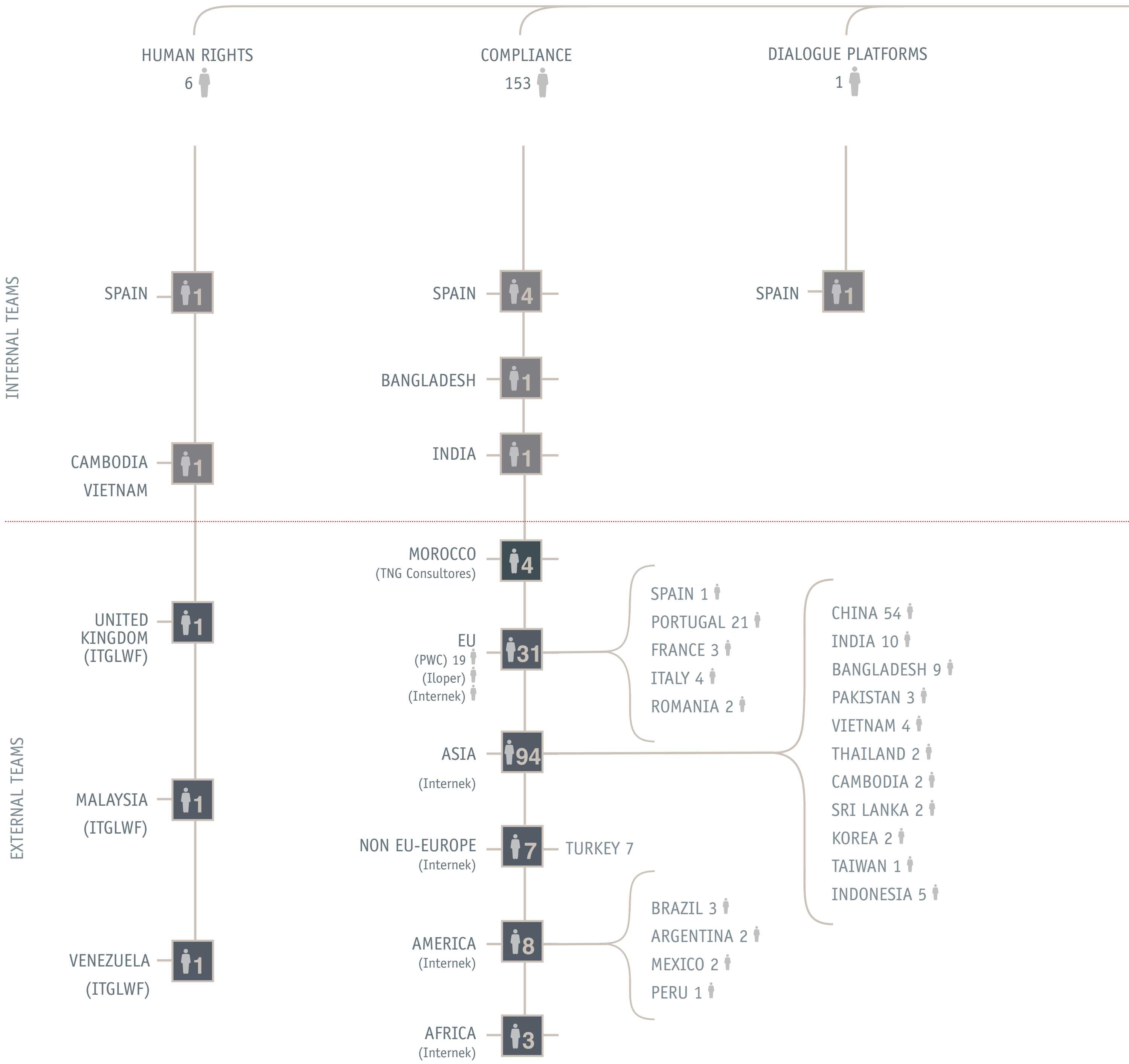
SOCIETY

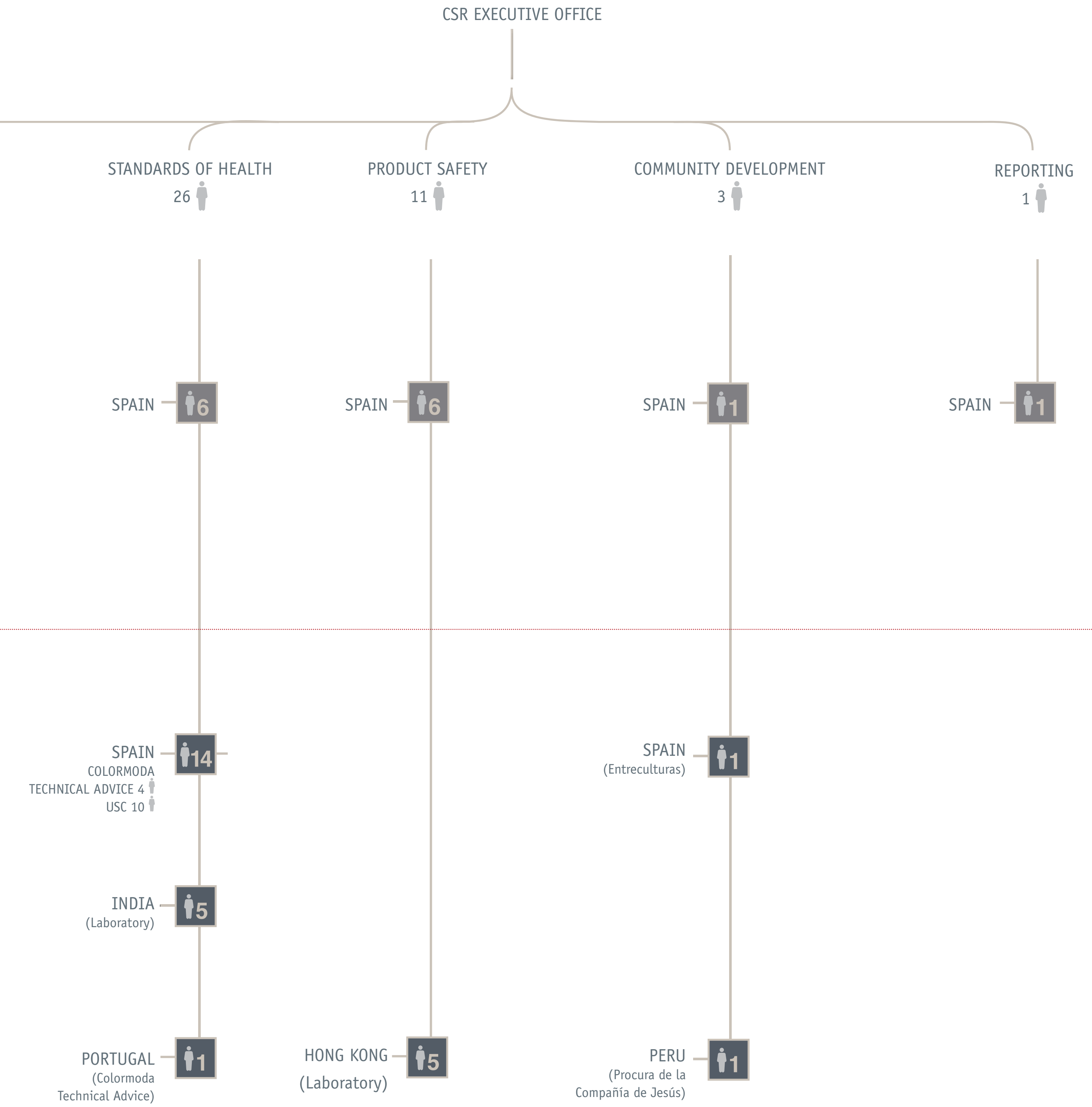
"Inditex undertakes to collaborate with local, national and international communities in which its business is conducted." (Internal Code of Conduct)

Areas of intervention:
• Programmes of community development.
• Programmes of creation of social capital.
• Emergency Programmes.
• Educational programmes in refugee camps.

OUR TEAM

"...202 PERSONS IN 20 COUNTRIES..."




CSR EXECUTIVE OFFICE
STANDARDS OF HEALTH
26
PRODUCT SAFETY
11
COMMUNITY DEVELOPMENT
3
REPORTING
1
SPAIN
6
SPAIN
6
SPAIN
1
SPAIN
1
SPAIN
14
COLORMODA
TECHNICAL ADVICE 4
USC 10
SPAIN
1
(Entreculturas)
INDIA
5
(Laboratory)
PORTUGAL
1
(Colormoda
Technical Advice)
HONG KONG
5
(Laboratory)
PERU
1
(Procura de la
Compañía de Jesús)

1. Educating from the factories of our suppliers

The first aspect of the model of intervention of Corporate Social Responsibility during 2007 that we analysed is that linked with suppliers; that is to say, the factories with which Inditex collaborates. This analysis is the result of work by a large multi-disciplinary team - external auditors (*Intertek, PricewaterhouseCoopers* and *SGS International*), Centre for Business and Public Sector Ethics, Cambrigde, *Ethical Trading Initiative* (ETI), *International Textile Garment and Leather Workers' Federation* (ITGLWF) and the Inditex Compliance Team- whose main results have been:

- the incorporation of the *Base Code* of ETI into the new Code of Conduct of Manufacturers and External Workshops of Inditex, approved by the Board of Directors of Inditex in July 2007;
- the development of a methodology –*Tested to Wear*- new and consensual between the main groups of interest to measure the degree of fulfilment of the Code of Conduct in those factories which make up the chain of production of Inditex;
- and, perhaps, the most important thing, the putting into practice of the recommendations which make it possible to improve both the execution of the field work and the relations between all those who have helped us.

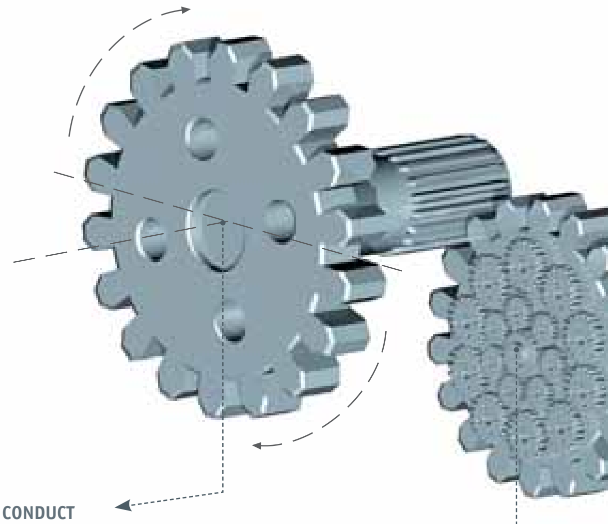
Stakeholders_Suppliers

SUPPLIERS:

All Inditex's suppliers adhere fully to the commitments of the Code and will promote their responsibility for ensuring that both they themselves and their subcontractors fulfil the standards set down therein". (Internal Code of Conduct)

Tools:

- Social audits.
- Monitoring audits.
- Plans of corrective action.
- Programmes for the creation of corporate capital for the conduct of mature industrial relations in the medium term.
- Assessments of factories on matters related with the management of Human Rights and the prevention of conflicts



FRAMEWORK AGREEMENT BETWEEN ITGLWF AND INDITEX:

Signed by ITGLWF and Inditex in October 2007.

- It regulates: recognition of ITGLWF as the main global trade union counterpart.
- Tools: Programmes for the Creation of Corporate Capital for the conduct of mature industrial relations in the medium term in suppliers' factories.

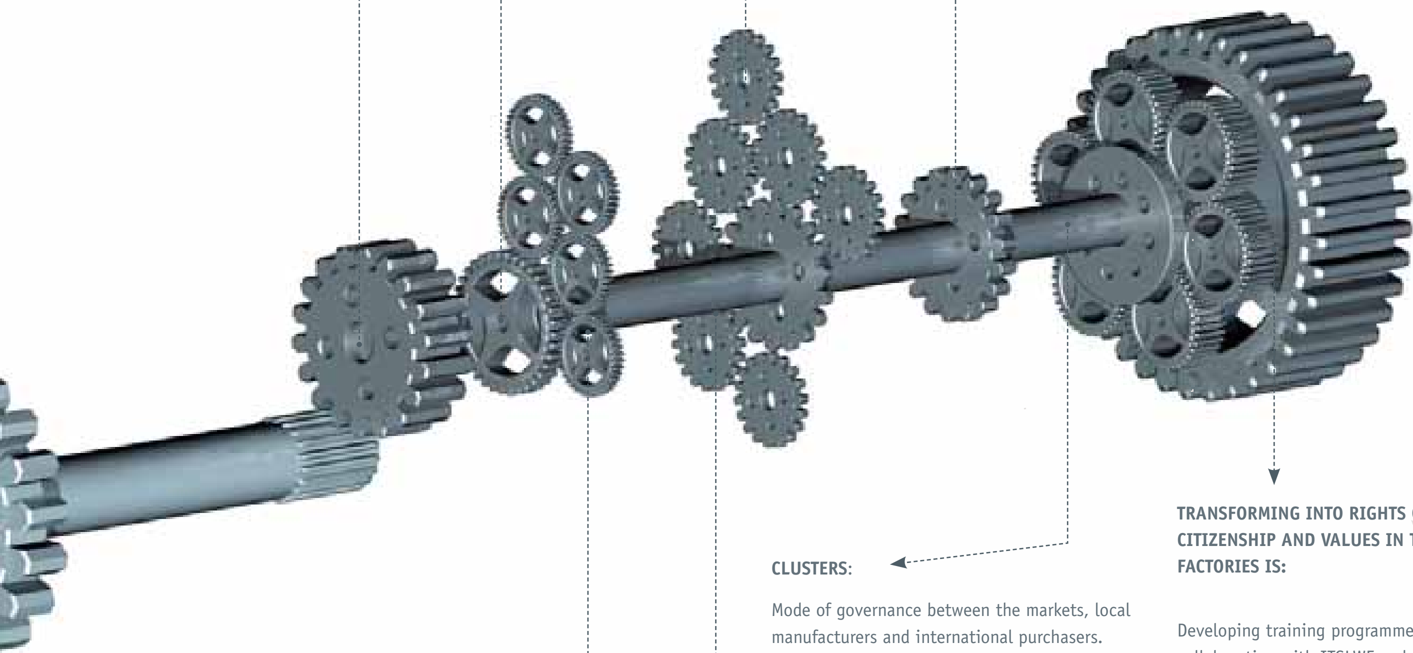
TESTED TO WEAR:

- New methodology for the conduct of social audits by external consultants.
- Designed jointly by the ITGLWF, the Centre for Business and Public Sector Ethics, Cambridge, and Inditex.
- Incorporating the best practices: SEDEX, SA8000 and Better Factories.

PLANS OF CORRECTIVE ACTION:

Monitoring audits conducted in 2007.

EU	ASIA	NON-EU EUROPE	AMERICA	AFRICA	TOTAL
61	105	0	0	225	391



TRANSFORMING INTO RIGHTS OF CITIZENSHIP AND VALUES IN THE FACTORIES IS:

Developing training programmes in collaboration with ITGLWF and the ILO which make it possible to:

- Train teachers in Human Rights.
- Create a trade union fabric capable of drawing up proposals for change.
- Designing and implanting systems which make it possible to measure the degree of compliance with the Code of Conduct for External Manufacturers and Workshops.
- Implant programmes of corrective action to correct the main breaches detected after the conduct of the social audits.

CLUSTERS:

Mode of governance between the markets, local manufacturers and international purchasers. They are made up of networks of relations woven between manufacturers, business organisations, local trade unions and Inditex. Their main objective is to develop selective and lasting relations.

TRADE UNION REPRESENTATIVES IN SUPPLIERS:

- 230 trade union representatives readmitted.
- 4 crises resolved which affected 25,500 workers.
- Programmes of strengthening the trade union fabric.
- Agreements with the ILO, *Better Factories Programme* and ITGLWF.

***RATING* OF FACTORIES:**

Factories as a function of the *rating* assigned.

A	B	C	D	PR	TOTAL
718	149	129	140	41	1,177

1.2. The framework agreement between Inditex and the International Textile, Garment and Leather Workers' Federation (ITGLWF)

Trade union cooperation as a source of help for development

> *"The role of the trade unions is a key instrument for achieving a virtuous circle for development, through the protection of Fundamental Human and Employment Rights which are ultimately responsible for equity and the improvement of the living conditions of workers"* **Neil Kearney, General Secretary of ITGLWF**

The agreement signed between Inditex and the ITGLWF in October 2007 constitutes a novel manner of intervention in values and rights in the textile factories which make up the chain of production of Inditex. Their fundamental objective is to watch over the fulfilment of the international working regulations derived from the Agreements of the OIT and the UN, as well as the Directives of the OECD.

With this agreement, Inditex and the ITGLWF jointly ensure compliance with the Code of Conduct for Inditex manufacturers. This is a pioneer agreement, the first of this kind to deal with these demands throughout the chain of production. The firm had the presence of the Secretary General of the ITGLWF and the Secretaries General of FITEQA-CC.OO. and UGT, as observers. This agreement:

- defines clearly the role that must be performed by the local and international social organisations in the processes of promotion, implantation and defence of Fundamental Human and Employment Rights;

- constitutes an ideal vehicle to extend knowledge of the above-mentioned rights in the chain of production;

- strengthens the creation of networks by means of a proper process of institutional strengthening developed by the ITGLWF in collaboration with other social agents;

- permits the management and peaceful solution of conflicts in the factories and, finally,

- develops, in the medium and long term, processes which permit the development of mature industrial relations between all the parties involved.

The agreement is not limited to isolated actions but rather it forms a part of a wider strategy to ensure that the Fundamental Human and Employment Rights of the workers who make up the chain of production of Inditex are fully recognised and respected.

The ITGLWF and its federated trade union organisations are the optimum institutions for:

- Boosting development, understood as the search for opportunities for the most disadvantaged, equity and equality of rights.

- Making workers technically capable and training them in the exercise of their rights.

- Encouraging dialogue between the three main agents – workers and their trade union representatives, factory managers and Inditex–. Weakness in any of the three will prejudice the capacity to generate proposals and, in consequence, will significantly affect the social stability of the factories.

- Ensuring respect for Fundamental Human and Employment Rights, which implicitly involves trade union participation and the right of workers to defend their interests through the free exercise of the rights of association and of collective negotiation.

To summarise, wherever the rights of workers are not respected, there can be no development and, in order to achieve it, Inditex understands that the role of the local and international trade union organisations is essential and irreplaceable.

The international framework agreement between Inditex and ITGLWF

"Resolving global problems involves developing tools of a like nature[...] and, in order to regulate the interventions, we have designed this first international framework agreement." **Neil Kearney, General Secretary of ITGLWF**

"The framework agreement has great importance from the trade union point of view[...] It is the first advance of a global nature to implant the commitments accepted by Inditex, after the approval of its Code of Conduct on its chain of production." **Isidor Boix, Secretary of International Trade Union Action of FITEQA - CC.OO.**

"The agreement signed arises from the mutual confidence between the parties[...] It leads us to a new dimension where control of the chain of production ceases to be an exclusive task for Inditex and becomes an exercise of corresponsibility between ITGLWF, its local and regional federated organisations and Inditex." **Pablo Isla, First Deputy Chairman and CEO of Inditex**

The most important facts which can be taken from the above-mentioned international framework agreement are:

- The commitment of Inditex to dissemination, respect and fulfilment of the main ILO and United Nations Conventions in all the factories that make up its chain of production
- The recognition of ITGLWF as the global trade union counterpart for all those matters related to the process of implantation of the Inditex Code of Conduct in the factories of its suppliers.
- The establishment of new lines and forms of trade union intervention in factories, to verify the correct process of implantation of the above-mentioned Code.
- The encouragement and development of programmes of social investment which make possible the harmonious development of mature industrial relations between the different parties involved (workers, trade union representatives, managers and Inditex), such as the Programmes for the Creation of Social Capital and of Prevention and Management of Conflict.
- The rapid and precise management, through trade union and local networks, of any incident, claim, complaint and/or accident which takes place in any of the factories which make up the Inditex chain of production.
- The consensual design of the Plans of Corrective Action to correct the main breaches detected after the conduct of the social audits carried out by external auditors.

The *Tested to Wear* system, the first joint working initiative between ITGLWF and a textile multi-national is fully explained on pages 74 and following.

1.2. Programmes of Creation of Social Capital in factories

At Inditex, we are convinced that improving relations between workers in the factories of suppliers and between these and the communities in which they reside may become an effective strategy to encourage new models of social intervention which, adapted to the context socially, culturally, economically and individually, may reduce conflicts and, ultimately, develop mature industrial relations. What is more, it facilitates an effective participation which makes it possible, in the medium and long term, to implant in a harmonious fashion principles of association and collective negotiation, contemplated in the Conventions of the ILO 87, 98 and 153, mainly.

Since 2005, Inditex has worked jointly with the ITGLWF and its federated trade union organisations in Peru, Morocco, Bangladesh, Turkey and Cambodia, to design tools of diagnosis and to impart training courses, both to trade union representatives and heads of teams in factories.

This kind of intervention contemplates three main axes which interact among themselves:

- The clusters, made up of representatives of the most representative local business organisations, local and international trade unions and Inditex suppliers. Among their functions, designing, reaching consensuses and approving the intervention plan in a certain factory stand out.

- The working groups, responsible for the design and management of the training programmes described in the previous phase and which are indispensable for putting the above-mentioned intervention plans into effect.

- The working team, responsible for ensuring that all the theoretical effort directed to the strengthening of the relations and/or prevention of conflict among workers and the factory management, is based on adequate materials.

Ultimately, the Programmes for Creation of Social Capital in the factories of the Inditex suppliers are defined as a global intervention in which all of the business, trade union and social agents should be involved from the beginning starting from the concept of *Educating to Transform*. This must be the basis on which, by everybody's efforts, the integral development of the workers in the factory and in the community is ensured.

The training curricula

The term training is used to designate activities which generate learning, whether of knowledge, skills or values. At Inditex, we believe that training is an ideal instrument for the conduct of mature industrial relations in factories.

For this reason, in 2007 we collaborated with the teams in Brussels (Belgium) and Kuala Lumpur (Malaysia) of the ITGLWF and with the Peruvian Institute for Education on Human Rights and Peace (Lima, Peru) in developing training curricula which, gathering the working experience accumulated by these two institutions and Inditex, will make possible the strengthening and development of a trade union fabric which is capable of taking on the challenges which arise in factories.

These curricula and their training programmes - Cambodia, Bangladesh and Peru - are an example of putting specific actions into effect that are derived from the framework agreement signed between ITGLWF and Inditex, which clearly sets down in its First and Sixth Commitments that:

"Inditex and ITGLWF undertake to develop joint actions which make it possible to verify the implantation of Rights of Freedom of Association in the Inditex chain of production. If any problem should arise, Inditex and ITGLWF will cooperate in looking for solutions, including the collaboration on training programmes for workers and/or managers of the affected factories."

"Inditex and ITGLWF undertake to develop jointly policies of training and programmes of qualification in employment matters designed for the application of this agreement in the chain of production."

Objectives of training programmes

- To enable the trade union fabric to harmoniously resolve the conflicts which might develop in the factories.

- To initiate a process of development of mature industrial relations between all interested parties.

- To offer theoretical concepts, tools and methods which contribute to strengthening the trade union fabric in the factories.

- And, finally, to develop formulas for encouraging respect and confidence, which are responsible for the processes of accumulation of social capital, with factories and in the communities of residence of the workers and their families.

The thematic contents

The training curricula are broken down into eight thematic contents:

- Introduction to Human Rights contemplated in the United Nations Charter (1948),
- Introduction to Fundamental Employment Rights contemplated in the main Conventions of the ILO, and especially in Conventions 1, 14, 29, 79, 100, 105, 111, 138, 142, 155 and 164.

Quality control lab in the Godfame Factory in Phnom Penh (Cambodia).

- The role of the trade union representative of workers: their rights and obligations.
- Basic concepts on the prevention and management of conflicts.
- Management of the principles of association (Conventions 87 and 135 of the ILO) and collective negotiation (Convention 98 of the ILO).
- Development of communication skills for the management and peaceful solution of conflicts in the factories.
- Integrating negotiation.
- Formulas for the development of self-esteem and respect for differences.

Example of intervention on the basis of the framework agreement between Inditex and ITGLWF	**Factory I**
General information	
No. of employees:	3,500
Number of trade union representatives dismissed:	30
Starting date for the case:	November 2006
Date of joint intervention of ITGLWF/Inditex:	February 2007
Solution date for the case:	June 2007
Parties involved	
Management:	√
Business Organisation:	GMAC
Representatives of the Trade Unions:	C.Cadaw
ITGLWF:	Brussels/Malaysia
Department of Corporate Social Responsibility of Inditex:	√
ILO:	√
ILO Better Factories Programme:	√
Achievements	
Readmission of 100% of the dismissed workers:	√
Integral salary payment to the workers from the date of dismissal:	√
Initiation of a process of dialogue capable of developing mature industrial relations between interested parties:	√
Readmission of the trade union representatives with all their consolidated employment rights:	√
Commitment to absence of any form of discrimination against the trade union representatives:	√
Management of a training programme in trade union rights and duties, managed by ITGLWF and representatives of the ILO, through the *Better Factories* programme:	√
Implantation of the management procedure for complaints and disputes, as well as a disciplinary procedure designed by the Kuala Lumpur (Malaysia) office of ITGLWF:	√

1.3. Modification of the Code of Conduct for External Manufacturers and Workshops

After the incorporation by Inditex of the *Ethical Trading Initiative* (ETI) in 2005, Inditex undertook to incorporate its *Base Code* to the Code of Conduct for External Manufacturers and Workshops. For this purpose, the Board of Directors of Inditex modified the above-mentioned Code in July 2007.

The regulatory framework on which the new Code is articulated is made up of:

- The agreements of the ILO.
- The Universal Declaration of Human Rights of the United Nations.
- The Principles of the Global Compact of the United Nations.
- The Directives of the OECD for multinational companies.
- The *Base Code* of ETI.
- The locally applicable employment legislation.
- The local legislation in environmental matters and, in the absence thereof, the international legislation that is in force.

Prohibitions not contemplated in the previous Code:

- The express prohibition of any kind of forced labour, regulated in the Conventions 29 and 105 of the ILO.

Prohibition of forced labour.

Inditex will not permit any form of forced or involuntary labour in the production centres and/or installations of its external factories, suppliers and of its sub-contractors.

The external manufacturers, suppliers and their subcontractors may not demand any deposit from their workers, nor may they carry out withholding of the documents accrediting their identity.

The external manufacturers, suppliers and their subcontractors will recognise the right of their workers to abandon their job with advance notice a reasonable time in advance.

New protocol of action:

- Protocol on action for the solution of breaches related with child labour, regulated in Conventions 79, 138, 142 and 182 of the ILO.

Prohibition of child labour.

The external manufacturers, suppliers and their subcontractors will not hire minors. Inditex defines a minor as a person who is younger than 16 years of age. If the local legislation sets a higher limit, that limit will be respected.

Persons younger than 18 years of age must not work on night shift or under dangerous conditions, as these are defined by Recommendation 190 of the ILO.

Increase in the scope:

- Rights of Freedom of Association and Collective Negotiation, regulated in Conventions 87, 98 and 135 of the ILO.

Respect for freedom of association and collective bargaining.

The external manufacturers, suppliers and their subcontractors will guarantee their workers, without exception, the rights of association, affiliation and collective negotiation, without their exercise giving rise to reprisals, and no remuneration or payment of any kind will be offered to employees so as to obstruct the exercise of these rights.

The external manufacturers, suppliers and their subcontractors will adopt an open-minded and collaborative attitude to the activities of the trade unions.

- A decent salary, regulated in Conventions 26 and 131 of the ILO.

Payment of salary.

The external manufacturers, suppliers and their subcontractors must guarantee that the weekly salary paid to their workers is at least the same as the legal minimum or to that established by agreement, if this is greater. In any case, the above-mentioned salary must always be sufficient to cover, at least the basic necessities and those others that might be considered reasonable additional necessities of the workers and their families.

- Extension and duration of the working day, regulated in Conventions 1 and 14 of the ILO.

Working hours not excessive.

The external manufacturers, suppliers and subcontractors will adjust the duration of the working day to the provisions of the applicable legislation or to that which is established by agreement for the sector in question, if this is more favourable to the worker.

The external manufacturers, suppliers and subcontractors will not demand that their employees work, as a general rule, more than 48 hours a week and they will have on average, at least, one free day for every period of seven calendar days.

Overtime must be voluntary, must not exceed twelve hours per week, will not be required in a habitual manner and must be paid at a higher rate than normal hours, in accordance with the provisions of the applicable legislation.

- Regular work, regulated in Principle 8 of the *Base Code* de ETI.

Regular work.

The external manufacturers, suppliers and their subcontractors undertake that all the formulas of employment that they carry out are comprised within the common employment practice and the local legislation applicable.

The external manufacturers, suppliers and their subcontractors will not reduce the rights of the workers recognised in the employment and social security legislation by means of formulas of subcontracting, working from home, practice and apprenticeship contracts and/or any other similar formula in which there is no real intention of promoting regular employment, in the framework of ordinary work relations.

1.4. The new method of verification of compliance with the Code of Conduct for Manufacturers and External Workshops: *Tested to Wear*

During the first half of 2007, ITGLWF, *Cambridge Centre for Business and Public Sector Ethics* and the Department of Compliance of Inditex worked jointly with the aim of designing and developing the new methodology for review of manufacturers and external workshops of Inditex, denominated *Tested to Wear,* which is aimed at becoming a world reference within the field of social audits in the textile sector.

The regulatory framework in which it is articulated includes: the best practices in the sector at the international level; the principles of the *Global Reporting Initiative* (GRI); the recommendations that are derived from the working group of the *Better Factories Programme* in Cambodia and the prior methodology used for the realisation of the above-mentioned social audits by Inditex.

Implications for the industry

*Tested to Wea*r has been designed as a tool to measure the economic, social and environmental dimensions of the factories which make up the Inditex chain of production.

Tested to Wear is the first joint working initiative between *ITGLWF* and a textile multinational for the development of a methodology of verification and social audits.

Methodological innovations

Tested to Wear presents innovations with regard to the old method used by Inditex:

- Increase in the number of hours/consultants for the execution of the fieldwork.
- Increase in the number of interviews of workers.
- Conduct of interviews to workers within and outside the factory with the aim of comparing the responses and conclusions which are derived from them.
- Interviews with the persons responsible for trade unions at the factory with the aim of comparing the conclusions that are derived from the execution of the audits and the design of the corrective action plans.
- Specific actions for those geographical scenarios in which the exercise of rights of association and collective negotiation are limited and/or restricted.

Working areas

The sections over which *Tested to Wear* is brought to bear are:

- The management area, in which, among other aspects, the degree of development of policies of human resources are dealt with.
- The internal reality of the factories, in which processes and scope are redefined for the conduct of interviews, within and outside the factory, and their subsequent comparison.
- Trade union reality, in which aspects such as the degree of freedom for the exercise of the rights of association and collective negotiation are dealt with.
- And finally, fieldwork, in which aspects such as planning and execution of social audits by the external consultant are regulated.

Computer tools

Tested to Wear is supported by a programme developed by the Department of Compliance of Inditex which makes it possible to manage:

1. The *Compliance* team

- The file of social audits per supplier/country.
- The process of assignation of ratings to suppliers.
- Monitoring audits.
- Plans of corrective action.

2. The social auditors

- Planning of the fieldwork.
- Documentation on the execution of the fieldwork.
- Documentation on the auditor's report.
- Plans of corrective action.

1.5. The Compliance team

The Compliance programme is made up of substantive and compliance tests designed to verify the degree of compliance with the Code of Conduct of External Manufacturers and Workshops by suppliers. In 2007, the programme included the Tested to Wear methodology, stemming from the joint collaboration between ITGLWF, Cambridge Centre for Business and Public Sector and Inditex for the purposes of becoming a worldwide reference in the field of social audits within the textile sector.

PHASE I: AWARENESS RAISING AMONG SUPPLIERS.
Presenting the Code of Conduct for External Workshops and Manufacturers to our suppliers and their implications in their factories.

PHASE II: SELF-DIAGNOSIS.
Self-evaluation carried out by the supplier in relation to the degree of fulfilment of the Code of Conduct for External Manufacturers and Workshops.

PHASE III: SOCIAL AUDITS.
Processes of evaluation of the social and environmental dimensions of the factories of the suppliers who make up the production chain, carried out: in accordance with *Tested to Wear* standard and by external consultants.

WORKSHOP A
It is considered to be minimum risk, given that it fulfils all the standards in Human and Employment Rights demanded by Inditex.

WORKSHOP B
It is considered to be low risk, given that it breaches an aspect that is not considered an important element of the *Tested to Wear* standard.

WORKSHOP C
It is considered to be medium risk, given that it breaches an aspect that is considered important to the *Tested to Wear* standard.

WORKSHOP D
It is considered to be high risk, given that it breaches several aspects that are important to the *Tested to Wear* standard.

PHASE IV: CORPORATE DNA
This is a programme of work - agreed between the heads of the factory, trade union representatives, external social auditors and the Inditex compliance team- to correct the principal breaches regarding Fundamental Human and Employment Rights, detected in the social audit.

PHASE V: ABANDONED SUPPLIERS.
Factory or trader with which Inditex cancelled its contractual relations for manufacture, marketing and/or distribution as a consequence of grave and/or reiterated breaches of the Code of Conduct for External Manufacturers and Workshops and/or the lack of implantation of the Corrective Action Programmes.

Phase I. Awareness raising

- Training potential suppliers of Inditex in the new Code of Conduct for External Manufacturers and Workshops and its implications in the factories.

- Training current suppliers of Inditex about the implications of the incorporation of the *Base Code* into the new Code of Conduct of Manufacturers and External Workshops.

- Training social auditors on the new Code of Conduct for External Manufacturers and Workshops and its scope and its implications in the conduct of fieldwork; on the new methodology for the execution of social audits, *Tested to Wear,* and the management of the corrective action plans; and on the new programme for planning, documentation and support of the above-mentioned audits.

Activities for raising awareness carried out in the clusters

	Spain	Portugal	Morocco	Turkey	India	Bangladesh	Cambodia-Vietnam	China
Introduction to the New Code for Manufacturers and External Workshops	√	√	√	√	√	√	√	√
Training of teams of social auditors	√	√	√	√	√	√	√	√
Training of teams of purchasers	√							√
1st social audit in accordance with TTW*		4	2	2		9	2	12
Monitoring audits in accordance with TTW*		24	3			1	1	

* The new TTW methodology began to be used from January 2008 onwards.

Phase II. Self-diagnosis

The potential supplier of Inditex carries out a self-diagnosis to evaluate:

- 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 execution of manufacturing orders.
- The degree of fulfilment of the standards of health and safety of the product: *Clear to Wear* and *Safe to Wear*.

Phase III. Social audits

	EU	Asia	Non-EU Europe	America	Africa	Total
Production in 2006	34%	34%	15%	1%	16%	**100%**
Number of external workshops audited 2006 (Phase III)	246	544	72	67	62	**991**
Number of external workshops abandoned for breaches and/or for commercial reasons 2006 (Phase V)	131	116	29	14	12	**302**
Number of external workshops active 31-1-2007	650	493	120	44	117	**1,424**
Production in 2007	31%	35%	16%	1%	17%	**100%**
Number of external workshops audited 2007 (Phase III)	89	342	70	31	144	**676**
Number of external workshops abandoned for breaches and/or for commercial reasons 2007 (Phase V)	95	97	23	4	28	**247**
Number of external workshops active 31-1-2008 (*)	555	396	97	40	89	**1,177**

(*) First line of the production chain.

Auditing firm	Region	Country	Social audits carried out		Total	Number of external social auditors
			Initial	Monitoring		
Intertek	Asia	China	242	72	314	54
Intertek	Asia	India	20	7	27	10
Intertek	Asia	Bangladesh	26	4	30	8
Intertek	Asia	Pakistan	8	0	8	3
Intertek	Asia	Vietnam	28	12	40	4
Intertek	Asia	Thailand	3	0	3	2
Intertek	Asia	Cambodia	2	0	2	2
Intertek	Asia	Sri Lanka	1	0	1	2
Intertek	Asia	Korea	2	0	2	2
Intertek	Asia	Taiwan	1	0	1	1
Intertek	Asia	Indonesia	9	0	9	5
Intertek	Non-EU Europe	Turkey	64	0	64	7
Intertek	EU	Romania	6	0	6	2
Intertek	Africa	Morocco	70	45	115	3
Intertek	EU	France	3	0	3	3
Intertek	EU	Italy	7	0	7	4
Intertek	EU	Portugal	11	1	12	2
Intertek	America	Peru	1	0	1	1
Intertek	America	Mexico	14	0	14	2
Intertek	America	Argentina	1	0	1	2
Intertek	America	Brazil	15	0	15	3
PWC	EU	Portugal	47	59	106	19
Illoper	EU	Spain	21	1	22	1
Illoper	Asia	Bangladesh	0	10	10	1
TNG	Africa	Morocco	74	180	254	4
Total			**676**	**391**	**1,067**	**147**

Phase IV. Corporate DNA as per the result of Audits

The DNA Programme has been implemented since fiscal year 2005 with the goal of assigning a risk rating (A, B, C and D) to external suppliers further to the conduct of a social audit.

Said rating is calculated on the basis of the degree of compliance with the Code of Conduct of External Manufacturers and Workshops measured as per the results arising out of the social audits conducted using the Tested To Wear methodology.

The results obtained are especially weighted as regards the review of the following issues covered by the Code: Prohibition of Child Labour, Wage payment and Not Excessive Number of Working Hours.

Corporate DNA on 31st January 2008:

	EU		Asia		Non-EU Europe		Americas		Africa		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	2007	2006	**2007**	2006
A	449	330	135	76	60	35	35	22	39	19	718	482
B	52	185	73	50	17	30	3	4	4	11	149	280
C	14	22	88	25	6	3	0	0	**21	0	129	56
D	16	49	91	124	10	15	1	1	22	48	140	237
PR*	24	110	9	58	4	21	1	7	3	9	41	205
Total	**555**	**702**	**396**	**333**	**97**	**104**	**40**	**34**	**89**	**87**	**1,177**	**1,260**

* Pending of rating

** 16 workshops attached to the "Fibre Citoyenne' standardisation process are included.

Phase V Number of suppliers abandoned

	EU	**Asia**	**Non-EU Europe**	**Americas**	**Africa**	**Total**
Number of suppliers abandoned for breaches and/or for commercial reasons 2007	95	97	23	4	28	247
Number of suppliers abandoned for breaches and/or for commercial reasons 2006	131	116	29	14	12	302

1.6. The clusters

Developing countries need capacities that will permit them to take advantage of the global economy to produce and market goods and services competitively. These productive capacities are not likely to appear spontaneously and need a proper design of sectorial policies and a proper interaction between the local business initiative and the international buyers.

Speaking of the development of capacities in very complex socio-employment environments involves designing effective spaces of dialogue: the clusters. The clusters are made up of networks of relations between manufacturers, business organisations, local trade unions and Inditex and they have as their main objective to develop selective and lasting relationships beyond the market relations (the price, the product and sale), such as the exchange of qualitative information, the implantation of codes of conduct and, on numerous occasions, direct cooperation between all the participants.

The clusters constitute, in short, an important forum to debate the changes and adaptations necessary to the employment practices which give rise to an improvement of competitiveness.

In conclusion, the strategy of implantation of the Code of Conduct for External Manufacturers and Workshops through the clusters gives a business/commercial model based on development, since a development of productive capacities which is only centred on commerce will not be sufficient to achieve a sustained growth in countries such as Morocco, Bangladesh and Cambodia, locations in which Inditex has part of its chain of production.

Clusters	
Type of manufacturer	
Location	
Date	
Participants	**Suppliers** **Inditex´s Buyers Team** **Independent Social Auditors** **Inditex´s Health and Safety of products Team** **Inditex´s Compliance Team** **Local Trade Unions** **International Trade Union Federation** **Companies organisation** **External consultants**
Goal/Project	**Project I:** Introduction to CTW and mandatory nature thereof. **Project II:** Evaluation of the consequences resulting from the sampling previously done. **Project III**: Definition of corrective actions to correct CTW breaches. **Project IV**: Replacing PVC in printing processes. Training timetable for the implantation of TWV, individualised and personalised for manufacturers/traders. **Project V:** Assessment of the implantation degree of the Safe to Wear standard in factories producting items for under 3 years old toddlers **Project VI:** Stopping child labour in the second and subsequent lines of the production line. Follow-up, findings and next steps. **Project VII:** Promoting decent work and raising awareness in this respect. Follow-up, findings and next steps. **Project VIII:** Presentation together with AMITH of the Fibre Citoyenne standard to the main suppliers which comprise the Inditex´s production line in Morocco. **Project IX:** Programme for the standardization of suppliers pursuant to the Fibre Citoyenne methodology. **Project X:** Gradual elimination of traders in the production line. **Project XI:** Concentrating the number and volume of external manufacturers and workshops. **Project XII:** Better Factories Cambodia. **Project XIII:** Feasibility study regarding Better Factories in Vietnam and Bangladesh. **Project XIV:** Fostering the creation of social capital and managing and solving labour crisis occurred in the textile factories of Inditex´s suppliers. **Project XV:** Designing the training curricula to reinforce the trade union structure in the factories of suppliers (taught by the ILO and ITGLWF). **Project XVI:** Purchasing Practices (harmonious management of production orders in high and low seasons). **Proyecto XVII:** Setting up local offices and teams.

Portugal	Cambodia/Vietnam	Bangladesh	Morocco	India	China	Spain
51% traders 49% direct	82% traders 18% directs	49% traders 51% directs	81% traders 19% directs	9% traders 91% directs	90% traders 10% directs	97% traders 3% directs
Guimaraes	Phnom Penh Ho Chi Ming Haiphong Hanoi	Dhaka	Tangier Casablanca	New Delhi Bangalore Chenai	Sanghai Dong Guang Hong Kong	Arteixo Barcelona Elche
16-20 July 2007 14 November 2007	1-7 February 2007 3-12 June 2007 12-16 September 2007 24-27 November 2007 21-29 November 2007	19-26 July 2007 5 November 2007 13 December 2007	9-21 July 2007 25-29 September 2007 2-11 and 22-27 October 2007 17-20 December 2007	12, 14, 22 November 2007 16 November 2007 20 November 2007	26 June 2007 2 July 2007 9 October 2007	16-20 July 2007 18 September 2007 11 December 2007 13-15 November 2007
60 suppliers (87% of the total number of units produced)	18 suppliers (59% of the total number of units produced)	32 suppliers (53% of total number of units produced)	174 suppliers (100% of total number of units produced)	54 suppliers (81% of total number of units produced)	75 suppliers (85% of total number of units produced)	65 suppliers (93% of total number of units produced
√	√	√	√	√	√	√
PwC		Intertek	Intertek		Intertek	
√	√	√	√	√	√	√
	√	√	√	√	√	√
	C.CAWDU	BGUF/BMC				
	ITGLWF	ITGLWF	ITGLWF			
	GMAC	BKMEA/BGMEA	AMITH			
ColorModa Technical Advice		SGS Group	TNG Consultores	SGS Group	SGS Group	ColorModa Technical Advice
√	√	√	Fibre Citoyenne	√	√	√
√						√
√						
15%	7%	9%	10%	3%	21%	8%
√	√	√	√	√	√	√
√	N/A	√	√	√	√	√
√	√	√	√	√	√	√
N/A	N/A	N/A	√	N/A	N/A	N/A
N/A	N/A	N/A	√	N/A	N/A	N/A
√	√	√	√	√	√	√
√	√	√	√	√	√	√
N/A	√	N/A	N/A	N/A	N/A	N/A
N/A	√	N/A	N/A	N/A	N/A	N/A
	√	√				
	√	√				
	√	√				
	7%					

2. Educating from knowledge

Educating from knowledge gives us the opportunity to share our experiences in the field of research into matters related with health and safety of the products that we market with our suppliers. An experience which is translated in a practical manner into:

- The design of two standards: of health, *Clear to Wear, and* of safety, *Safe to Wear*, developed by Inditex in collaboration with the University of Santiago de Compostela (Spain) to guarantee that the products that it manufactures, markets and/or distributes fulfil the demands of the most demanding local and international legislation.

- The development of novel protocols of analysis necessary to adjust the rigour and the speed of control of dangerous substances to the rhythm of the textile market in the 21st Century and to the demands of the informed consumer.

- The design of a model of general sampling developed by the Department of Applied Statistics of the University of Santiago de Compostela (Spain).

- The search for formulas of learning – the clusters- for their correct implantation, based on the association and on the dialogue between Inditex and its suppliers.

- Control of the parameters contemplated in the above mentioned standards by accredited external laboratories, following the NABL, ISO / IEC 17025, UKAS and ISO 9001:2000 standards (India, Hong Kong and Spain).

Two key aspects - health and safety - which form part of the implicit contract of confidence that millions of customers show every day in Inditex.

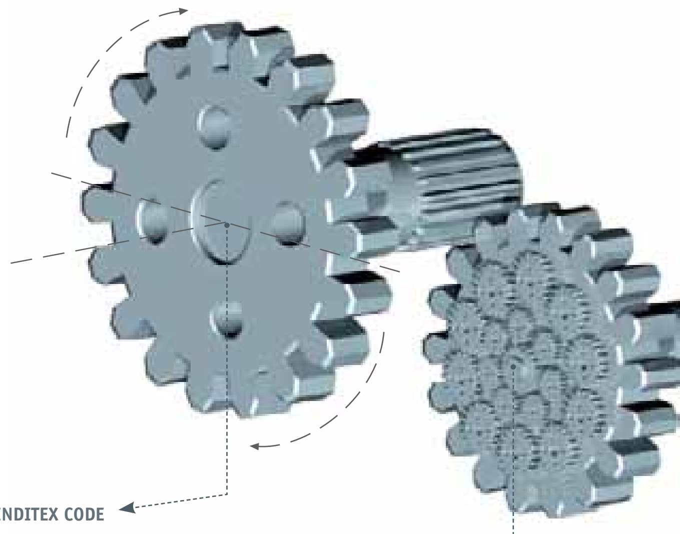
Stakeholders_Customers

CUSTOMERS:

"Inditex undertakes to offer all its customers a standard of excellence in all its products as well as guaranteeing that they do not involve any risk to health or safety" (Internal Code of Conduct)

Areas of intervention:

· 3,691 stores



SGS INTERNATIONAL:

Laboratories to verify CTW and STW:
- Hong Kong (China)
- Dhaka (Bangladesh)
- Delhi (India)
- Madrid (Spain)

Results:
- Standard of product safety STW.
- Protocol of implantation STW.

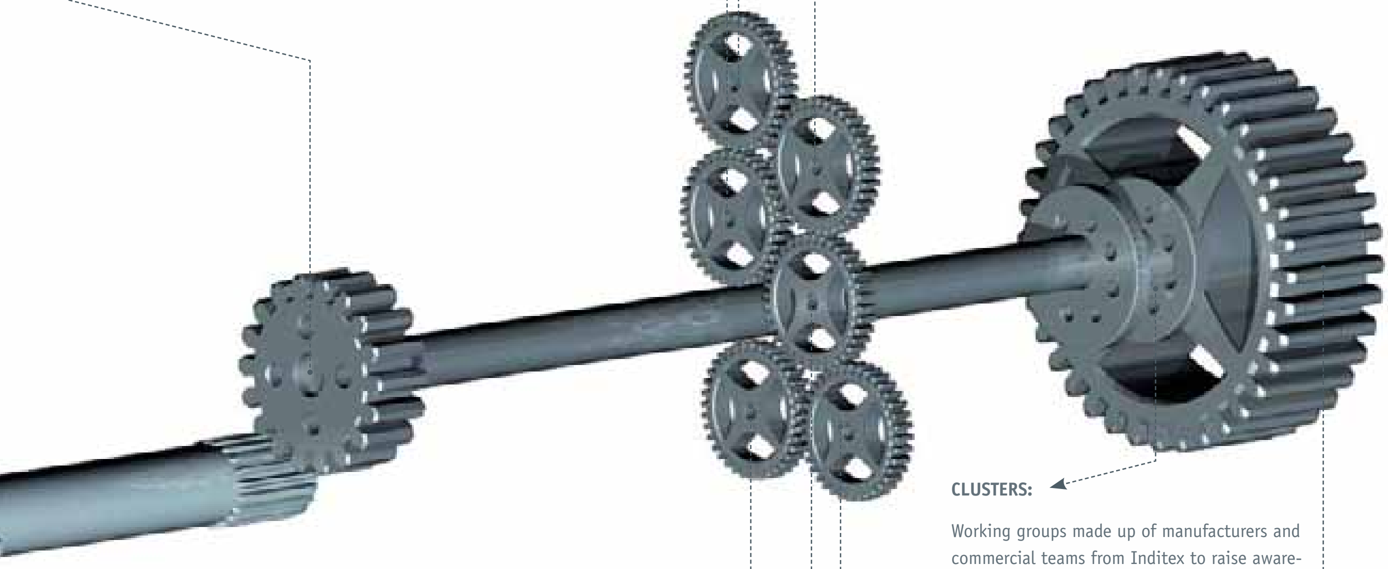
CLEAR TO WEAR:

This is a product health standard developed by Inditex, in collaboration with the University of Santiago de Compostela (Spain), of general application and obligatory for all the product made, footwear, accessories and/or textiles supplied to Inditex.

SAFE TO WEAR:

This is a product health standard developed by Inditex, in collaboration with SGS Internacional, of general application and obligatory for all the product made, footwear and accessories for children.

Results:
- Quality Audits in over 180 external factories and workshops.
- Circularization of CTW.



CLUSTERS:

Working groups made up of manufacturers and commercial teams from Inditex to raise awareness and implement CTW and STW.

INTERTEK:

Team:
- Global firm

Results:
- Valuation of the degree of implantation STW in the Inditex chain of production.

UNIVERSITY OF SANTIAGO DE COMPOSTELA:

Chemistry Faculty.
Team:
- Two Professors.
- Six full-time Researchers.

Results:
- CTW Standard.
- Protocol of implantation CTW.
- Scientific method of composition of sample.

EDUCATING TO TRANSFORM FROM KNOWLEDGE IS:

Developed by the University of Santiago de Compostela, in collaboration with external teams and consultants:

- Health and product safety standards CTW and STW.
- Protocols.
- Programmes of awareness raising in the clusters of suppliers for correct implantation.

UNIVERSITY OF SANTIAGO DE COMPOSTELA:

Mathematics Faculty.

Team:
- One Professor.
- One tenured Lecturer.

Results:
- Bayesian model for selection of samples.

2.1. Standards of health and product safety: *Clear to Wear* and *Safe to Wear*

> *"Inditex undertakes to guarantee that its products do not involve risks to the health or safety of the user and, therefore, we encourage an innovation which benefits the health of consumers and we bring it to the knowledge of our chain of production."* **Antonio Abril Abadín - General Secretary and member of the Board of Directors.**

The actions of Inditex in this field summarise its commitment to a strategy of health and safety shared by all the external manufacturers and workshops making up its chain of production.

Strategy	Commitments of Inditex	Commitments shared in the clusters
Defining the standards of health (Clear to Wear) and safety (Safe to Wear) for Inditex products, in collaboration with the University of Santiago de Compostela (Spain)	Comunicating to all the external manufacturers and workshops, the obligatory nature of fulfilling the local and international regulations in force, related with the control of chemical substances regulated in the life cycle of the product. Identifying those chemicals that are regulated present throughout the life cycle of the products that the suppliers manufacture, distribute and/or market for Inditex. Making known to our suppliers which regulated substances might be present at a certain phase of the life cycle of the products which they manufacture and market to Inditex.	Programmes of awareness raising among suppliers in relation to the existence and the obligatory nature of the standards of health – *CTW* – and safety – *STW* – of products, for all those external manufacturers and workshops which manufacture, market and/or distribute their products to Inditex. Working groups designed to solve the current climate of ignorance and lack of information in matters relating to legislation and the use of certain regulated substances among suppliers who make up the main Inditex clusters.
Encouraging policies of product health and safety based on the principle of caution through the main Inditex clusters.	Encouraging the exclusive use of so-called Green Chemistry throughout the life-cycle of the products that the suppliers manufacture, market and/or distribute to Inditex. Innovate and design alternative replacements for regulated chemical substances.	Working groups in the six main clusters of Inditex for communicating and raising awareness in the use of the so-called alternative *Green Chemicals* in the textile industry. Specific working groups to study different alternatives for replacement of PVC in positional prints in the clusters of Spain and Portugal. Specific working groups to notify their participants of the alternatives in substitution of PVC in positional prints in the clusters in Spain, Portugal, Morocco, China, Cambodia and Bangladesh. Specific working groups to study different alternatives for replacement of PVC in positional prints in articles of imitation leather and packaging mainly. Specific working groups to study different alternatives to the process of tanning with chromium salts on leather. Specific working groups to study different alternatives to nickel plating and cadmium plating on accessories. Specific working groups to study different alternatives for replacement of anti-wrinkle resins with a formaldehyde content in *easy care* garments and wrinkled in jeans. Specific working groups to study different alternatives for replacing fixers with formaldehyde. Specific working groups to study different alternatives for replacing carriers with organochlorate compound content.
Implantation of CTW and STW product health and safety standards on all the external manufacturers and workshops which make up the Inditex chain of production. *Developing new lines of work for the implantation of the Healthy Chemical Economy.*	Raising awareness among Inditex suppliers of the significance and the implications of a proper exercise of co-responsibility in the management and control of the life-cycle of products: from beginning to end. Developing learning formulas in the clusters with the support of the main local universities and local teams of international consultants (SGS), based on association and dialogue. Collaborating with standardisation organisations. Supporting institutional reforms which promote the elimination of potentially harmful and/or dangerous substances.	Demand the fulfilment of the product health and safety standards - CTW and STW - from all external manufacturers and workshops, documented through a Declaration of Consent, as is contemplated by the methodology for implantation CTW. Facilitate the detail of the substances and materials used in the manufacturing process documented in the Product Specifications as is contemplated by the methodology for implantation CTW. Participating actively in forums of debate related to the development of policies of product health and safety, such as the AENOR Commission (Spain)

2.2. The strategy of implantation of *Clear to Wear* and *Safe to Wear*

	Clear to Wear	Safe to Wear
Definition	*Clear to Wear* is a product health standard developed by Inditex, in collaboration with the University of Santiago de Compostela (Spain), of general application and obligatory for all the product made, footwear, accessories and/or textiles supplied to Inditex, with the following characteristics: - It has been developed in accordance with the most demanding legislation in the matter of product health. Apart from matters relating to composition and pH. - It regulates those substances of legally limited use such as: Formaldehyde, Arilamines, Phenols (PCP and TeCP), Cadmium, Lead, Chromium (VI), Nickel, Phthalates and Fireproof substances. - It limits the use of two parameters not contemplated in the current legislation: the organochlorate compounds and the allergic colourants.	*Safe to Wear* is a product health standard developed by Inditex, in collaboration with SGS Española de control, of general application and obligatory for all the product made, footwear and accessories for children, with the following characteristics: - It has been developed in accordance with the most demanding legislation in the matter of product safety. Apart from matters relating to the control of metallic contamination present in our production: *Metal Detecting Policy*. - It limits the design of cords and lines in clothing aimed at customers younger than 14 years of age. - It limits the dimension and the forces of traction and torsion of small parts in clothing for those under three years of age, as well as the presence of cutting or stabbing objects in such clothing. - It limits the flammability of clothing for those younger than fourteen years.
Scope	- Dry cleaners. - Dress printers. - Installations of finishing. - Laundries. - Tanneries. - Suppliers of accessories and textiles. - In general, to all external manufacturers and workshops..	- External manufacturers and workshops with production aimed at those younger than fourteen.
Implantation	The CTW implantation strategy is based mainly on: (1) the development of learning formulas for correct implantation, based on the association and on dialogue between Inditex and its suppliers; (2) control of the parameters contemplated in the above-mentioned standard by accredited external laboratories; and (3) the conduct of certain tests of a random nature on certain references/”model-quality” to verify the correct implantation of the above-mentioned standard.	The strategy of implantation of STW is based mainly on the development of formulas of learning for its correct implantation, based on the association and on dialogue between Inditex and its suppliers; on control of the parameters contemplated in the above-mentioned standard by accredited external laboratories; and on the conduct of audits which make it possible to obtain an evaluation of the degree of implantation.
Laboratories	External and accredited by NABL, ISO / IEC 17025, UKAS and ISO 9001:2000: SGS (Global)	External and accredited by NABL, ISO / IEC 17025, UKAS e ISO 9001:2000: SGS (Global)
Auditors	N/A	Intertek (Global) SGS (Global) Illoper (Spain) TNT Consultants (Morocco)

3. Educating from spaces of reflection

Inditex works actively on the development of processes of dialogue and research with the aim that society should consider that the encouragement and protection of Fundamental Human and Employment Rights is an indispensable element for sustainable development.

For this purpose, it is necessary to participate in working groups made up of international representatives of the third sector, local and international business organisations and trade unions to determine, in the first place, the strategy of priorities for each country and, in the second place, the specific programmes and actions.

The working groups, born from these initiatives, have been created to take advantage of the force of collective action to encourage responsibility and the participation of companies and their involved departments in such a manner that, jointly, they can contribute to the solution of the challenges created by globalisation.

These platforms are, ultimately, responsible for facilitating cooperation between their participants to promote environments of open collaboration. In this way, the private sector -in collaboration with other bodies from society- may help to make a vision reality: a fairer and more sustainable world economy.

Finally, the reasons that justify the development of these working groups are:

- Managing risks from a proactive posture in relation to fundamental questions, such as the increase in competitiveness, improvements in production, the impact of the elimination of quotas and the improvement in the socio-employment conditions of workers.

- Leading the promotion of Fundamental Human and Employment Rights.

- Generating a laboratory of ideas to produce practical solutions to problems related with sustainable development, especially the implantation of product health and safety standards.

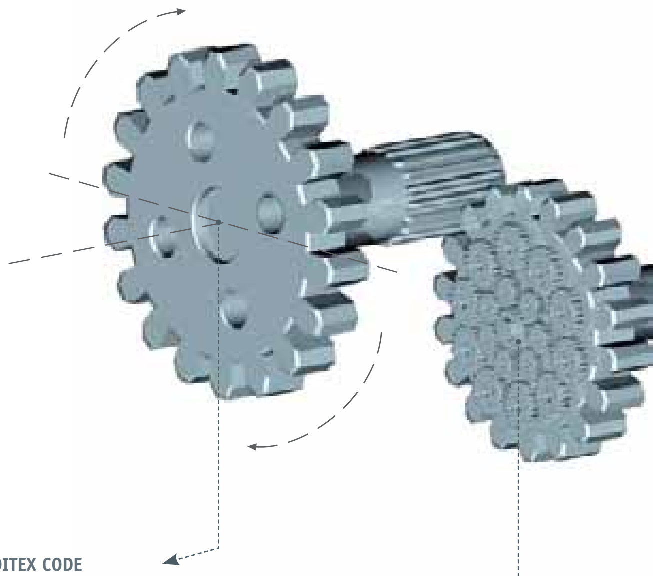
Stakeholders_Shareholders

SHAREHOLDERS:

"Inditex will undertake its activities in accordance with the corporate interest, understood as the viability and maximisation of the value of the company in the long term in the common interest of all the shareholders" (Inditex Internal Code of Conduct).

Tools:

- Report on Sustainability in accordance with GRI.
- Inclusion in indexes of sustainability:
  - *FTSE4Good Index.*
  - *Dow Jones Sustainability Indexes.*



INDITEX CODE OF CONDUCT

THE BUSINESS MODEL

FTSE4Good:

A stock exchange index of sustainability which evaluates the exercise of social responsibility of the listed companies as a function of the activities related with sustainability and respect for Human Rights.

GLOBAL REPORTING INITIATIVE (GRI):

Institution dependent on PNUD and in which agents from all sectors of the economy, governments and civil society participate and whose mission is, among other things, to prepare and disseminate the guide for the preparation of sustainability reports, an optional accounting report about sustainability.

Activities:

- Active participation in the design of the *Apparel & Footwear Supplement*.

Tools:

- Sustainability reports 2002 - 2007.

DOW JONES SUSTAINABILITY INDEXES:

A family of stock exchange indexes used to measure the activities of companies in the matter of sustainability and corporate responsibility.

BETTER FACTORIES CAMBODIA:

An ILO project in Cambodia which has as its object the improvement of the employment conditions of the factories from which both the workers and the managers and owners benefit.

Tools:

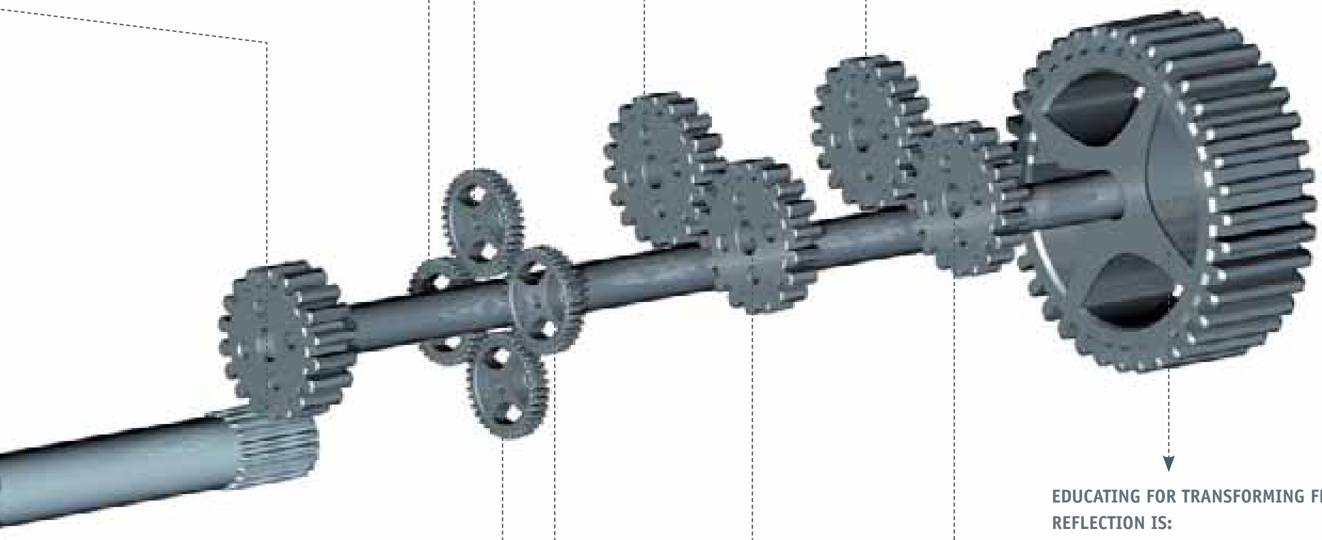
- Assessment of factories.
- Training courses to trade union leaders and middle management from the factories.

ETI:

Platform of dialogue made up of companies, international trade union organisations and non-governmental organisations (NGOs).
It was set up in 1998 to promote and improve the implantation of codes of conduct in production chains of global companies which carry out production, marketing and/or distribution activities in the United Kingdom.

Activities:

- Members of the Board.
- Methodology of implantation of the *Base Code*.



EDUCATING FOR TRANSFORMING FROM REFLECTION IS:

Creating bridges between international purchasers, manufacturers and local business organisations and the international trade union federation, for the development of a proper governability in the factories of the Inditex suppliers.

FIBRE CITOYENNE:

A programme conceived by the Moroccan Government and its textile employers' association, with the aim of providing the tools to textile companies for development in the matter of social and environmental quality.

Tools:

- Platform AMITH (Tangiers, Casablanca and Fez).
- Accredited external consultants (SGS and Intertek).

Results:

- Raising awareness among 100% of Inditex suppliers.
- Commitment of 50% of suppliers to initiate the process of standardisation.

MFA Forum:

Platform of dialogue made up of seventy participants in representation of companies, trade unions, NGOs and multilateral institutions.

The purpose of this organisation is to promote social responsibility and competitiveness among the most vulnerable national textile industries after the end of the quota process.

Activities:

- Active participation in:
  - Bangladesh.
  - Morocco.
  - Lesotho.

AECA:

Spanish professional institution which issues principles and generally accepted rules of accounting, and of pronouncements and study on good practices in business management.

Activities:

- Participation in guides and working groups of Corporate Social Responsibility in Spain.

3.1. Dialogue Platforms

Ethical Trading Initiative (ETI)

ETI is a dialogue platform made up of companies, international trade union organisations and Non-governmental organisations. It was set up in 1998 to promote and improve the implementation of the *Base Code* in chains of production of global companies which conduct part of their activities of production, marketing and/or distribution in the United Kingdom.

Inditex joined ETI in 2005 and has formed part of its Board since 2006.

Among the main objectives the most important are:

- To encourage respect for Fundamental Human and Employment Rights in the chains of production of each one of its members.
- To develop instruments for the implantation of the *Base Code* in the chains of production of its members.
- To identify and promote the best sectorial practices.
- To organise working groups between different parties involved to look for joint solutions to the problems of the chains of production of its members.

Some of the sixty-four most outstanding members of ETI are companies (Gap, Wal-Mart, Tesco and Marks & Spencer, among others); trade union organisations (ITGLWF and the TUC) and the main organisations from the third sector, Oxfam International and *Working Women Worldwide*, among others.

Multifiber Agreement Forum (MFA Forum)

MFA Forum is a dialogue platform composed of over seventy participants in representation of international purchasers, trade unions and NGOs. Among the objectives the promotion of social responsibility and competitiveness among the most vulnerable national textile industries in countries that are vulnerable to the end of the quota process stands out.

Among the most important participants are: OIT, ITGLWF, Maquila Solidarity Network, Offam, ETI, Gap Inc. and Inditex. During the year 2007, the Department of Corporate Social Responsibility of Inditex participated in the MFA Forum of Bangladesh, Morocco and Lesotho.

Better Factories Programme of Cambodia

Better Factories Programme is defined as a *multistakeholder* initiative which, run by an ILO team in Cambodia, has been designed to initiate a process of improvement in the working conditions of the workers of the textile factories in this country.

This programme constitutes a pilot initiative and was begun in 2001. Since the beginning, it has been financed jointly by voluntary contributions from a range of corporations which are carrying on their production activities in this country, such as:

- The Adidas Group
- Gap
- Levi Strauss & Co
- Nike
- Wal-Mart Stores
- The Cotton Group
- H&M Hennes & Mauritz
- Marks and Spencer
- The Walt Disney Company
- Inditex

During 2007, Inditex collaborated with this multilateral programme by contributing to the achievement of the following objectives:

- Encouraging the competitiveness of the textile industry in Cambodia.
- Improving the working conditions regarding the fulfilment of Fundamental Human and Employment Rights in this country.
- Improving working relations between trade unions and management teams in four Cambodian textile factories.
- Optimising the quality and the productivity in the above-mentioned factories.

Fibre Citoyenne

Fibre Citoyenne is a programme that is promoted from the third sector and directed at companies in the textile sector which looks for the reconciliation of textile activity and sustainable development. The business organisation, AMITH, which brings together the main companies in the textile sector in Morocco, joined *Fibre Citoyenne* with the aim of standardising the process of implantation of a code of conduct. The main objective is to generate added value:

- at the production level, for the business fabric of the textile workshops.
- at the social level, for the workers and their families.
- at the environmental level, with actions taking care of respect for the environment.

FTSE4Good

FTSE4Good is a stock exchange index of sustainability which includes multi-national companies with a greater commitment in the field of corporate responsibility. This index evaluates the social responsibility of its listed companies as a function of their activities related to sustainable development and respect for Human Rights, mainly.

Twice yearly, the *FTSE4Good Policy Committee* reviews the behaviour of the companies that are members in the matter of sustainability, basing themselves on an exhaustive questionnaire worked out by the *Ethical Investment Research Service*, and also on the data published by the companies and other sources of information. Inditex has been a member of this index since 2002.

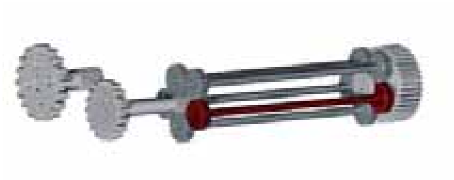
Dow Jones Sustainability Indexes

Dow Jones Sustainability Indexes are a family of stock exchange indexes reflecting the activities of participating companies in the matter of sustainability and corporate responsibility. As a prior requisite for entry, and for the subsequent maintenance on the above-mentioned indices, the participants must submit to a rigorous process of analysis and selection directed by an independent external agency.

This analysis evaluates the quality of the management of companies in areas related to corporate governance, risk management and brands, employment practices and environmental actions, among other things. Inditex has been a member of these indexes since 2003.

Result obtained in the most recent evaluation of the *Dow Jones Sustainability Indexes*

	Inditex score (%)	Average score (%)
Total	**61**	**41**
Economic dimension		
Corporate governance	85	72
Risk and crisis management	66	35
Codes of conduct	77	60
Customer Care	32	35
Brand Management	24	27
Strategy for emerging markets	34	66
Social dimension		
Employment practices	78	58
Development of the human capital	35	17
Attraction and retention of talent	55	34
Philanthropy	63	25
Company Report	50	30
Standards for suppliers	89	54
Commitment with interest groups	77	49



Stakeholders_Society_Programmes of Community Development

4. Educating from the community sphere

The Programmes of Community Development have been designed to give support to development in vulnerable populations. For this purpose, the following will be necessary:

- Educating in the community sphere: Giving support to teacher training - inside and outside school - and involving the families and communities where they reside.

- Educating from employment insertion: Developing innovative projects in the field of employment insertion of vulnerable collectives, such as the projects in Allariz (Ourense) and Palafolls (Barcelona).

- Educating from diversity: Offering the native communities in Venezuela and Peru the opportunity to organise themselves in defence of their rights, reclaim their language, resources and traditions.

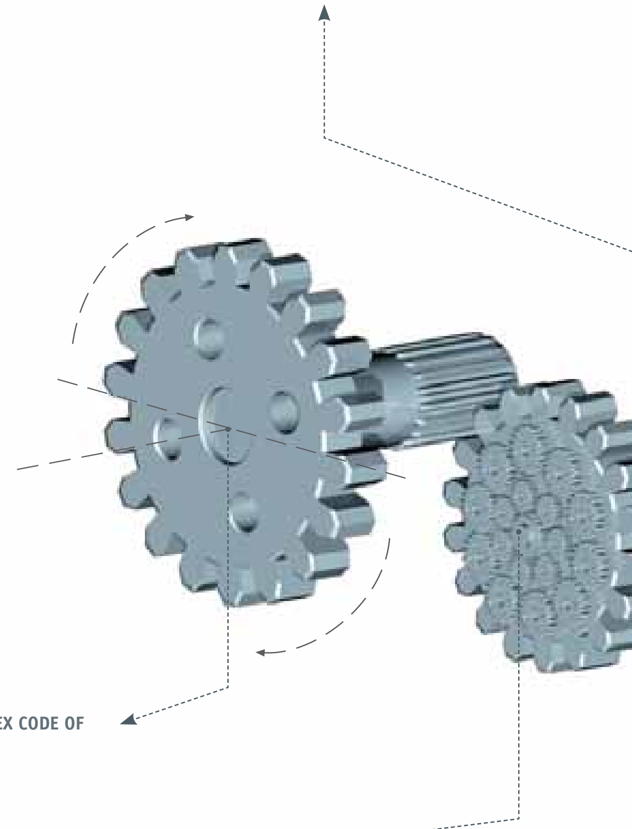
The Programmes of Community Development have been designed by Inditex and its international partners, –Fundación Entreculturas, Fe y Alegría, University of Antonio Ruiz de Montoya (Lima, Perú) and Caritas–, as catalysts for development and in which the participation of the local communities in the projects makes them a key part of the transformation process.

CIVIL SOCIETY:

"Inditex undertakes to collaborate with local, national and international communities in which its business is conducted". (Internal Code of Conduct).

Tools:

- Work on the net with international counterparts.



THE INDITEX CODE OF CONDUCT

THE BUSINESS MODEL

PROGRAMMES OF COMMUNITY DEVELOPMENT:

Programmes which promote education and learning as formulas to favour development in those communities in which Inditex carries out its activities of production, marketing and/or distribution.

Working partners:

- Fundación Entreculturas: Red Fe y Alegría in Latin America.
- Cáritas Spain: Red Cáritas Internacional in Asia.

CAMBODIA:

International counterpart:

- Cáritas Spain.

Local counterpart:

- Cáritas Cambodia.

Beneficiaries: 35,000 persons.

BRAZIL:

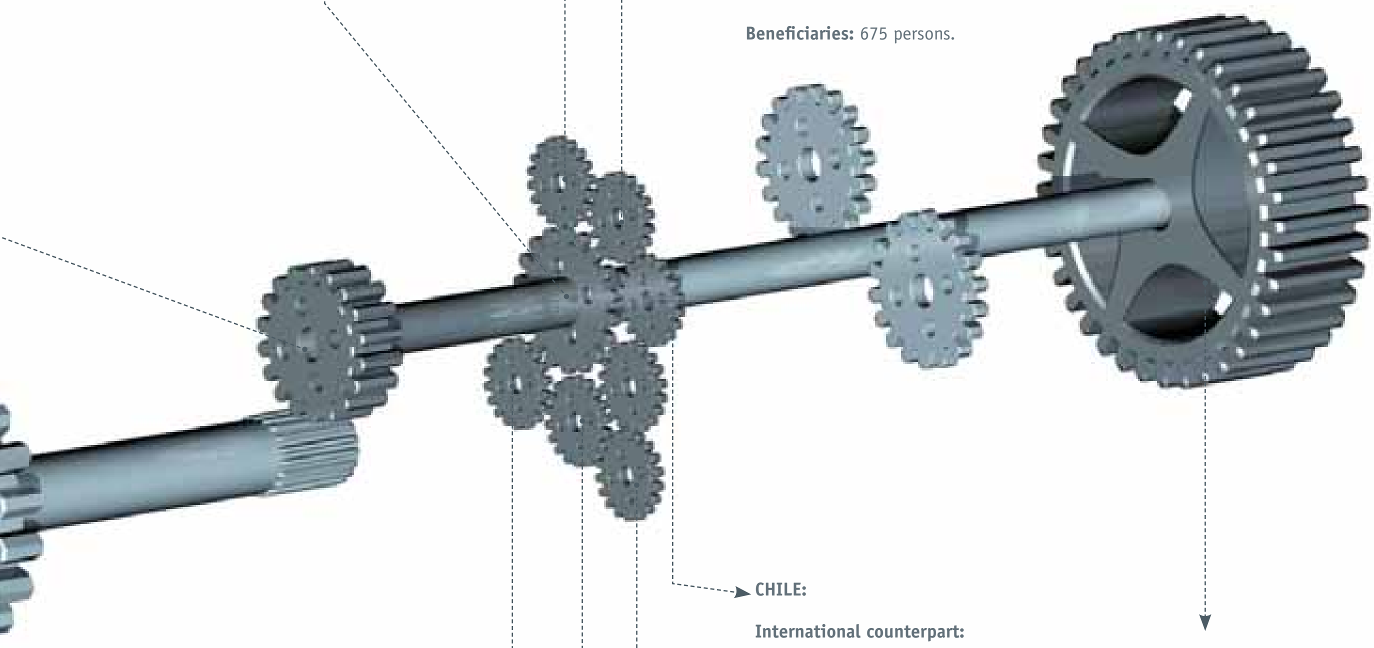
International counterpart:

- Fundación Entreculturas.

Local counterpart:

- Fe y Alegría Chile.

Beneficiaries: 675 persons.



CHILE:

International counterpart:

- Fundación Entreculturas.

Local counterpart:

- Fe y Alegría Chile.

Beneficiaries: 2,000 persons.

EDUCATING TO TRANSFORM FROM THE COMMUNITY SPHERE IS:

Attending to the demands of education of the local communities and strengthening the existing social networks.

VENEZUELA:

International counterpart:

- Fundación Entreculturas.

Local counterpart:

- Fe y Alegría Venezuela.
- Fundación Gumilla.

Beneficiaries: 2,885 persons.

ARGENTINA:

International counterpart:

- Fundación Entreculturas.

Local counterpart:

- Fe y Alegría Argentina.

Beneficiaries: 4,160 persons.

PERU:

International counterpart:

- Fundación Entreculturas.

Local counterpart:

- Fe y Alegría Perú.

Beneficiaries: 32,220 persons.

4.1. The Programmes of Community Development in Latin America

Inditex collaborates with the network of Fundación Entreculturas, which includes over 1.3 million beneficiaries, in areas such as formal education, distance learning, training for young people for work and attention to collectives in a situation of social risk.

The educational projects that Fe y Alegría carries out in Latin America involve progress in the improvement in the social conditions of thousands of persons as well as strengthening the society in which they are carried out. Fe y Alegría is an integral popular educational movement for social promotion whose action is directed at impoverished and excluded sectors so as to boost their personal development and social participation. Entreculturas is an NGO that defends access to education for the most disadvantaged as a means of social change, justice and dialogue between cultures.

Eñepa children from San José Kañama (Venezuela).

Eñepa children from San José Kañama (Venezuela).

The projects

Country	Projects	Regularity	Consumed 2007	Total	Beneficiaries
Argentina	- Integral training and social promotion	149,000 €	181,000 €	330,000 €	4,160 children, young people and adults
Brazil	_ Creation of the Popular Culture Centre of Fe y Alegría-Grajaú - Educational and cultural centre in Santa Catarina	144,000 €	175,000 €	319,000 €	675 minors and adolescents from 6 to 20 years of age
Chile	- Strengthening of the programmes of technical vocational education of Fe y Alegría Chile (2nd phase)	40,000 €	41,000 €	81,000 €	2,000 students
Peru*	- Alternative proposal of rural education (4th phase) - Methodologies which increase the development of capacities and values in the ODEC educational network in Jaén - Extension of the educational coverage in Ayacucho, Trujillo and Huancayo and newly-created schools - Technical equipment in schools - Attention to children, adolescents and young people in a risk situation. - Support for advanced education for young persons of limited resources - Technical consultancy and a business incubator - Strengthening of educational initiatives in the social sector	595,000 €	712,000 €	1,307,000 €	32,220 children, young people and teachers
Venezuela	- National public incidence for participation by the community and the citizen - Training for democracy and citizen's participation in educational centres, local government and social organisations - Pilot proposal for accredited technical training for young people from two slum areas and one rural area in Venezuela	327,000 €	396,000 €	723,000 €	2,515 technical training students and teachers 150 persons from educational communities, 200 social leaders and 20 civil servants

* The figures do not include the payment to Entreculturas to palliate the damage caused by the earthquake in Peru, which, at the end of the financial year, amounted to 300,000 euros.

Development indicators

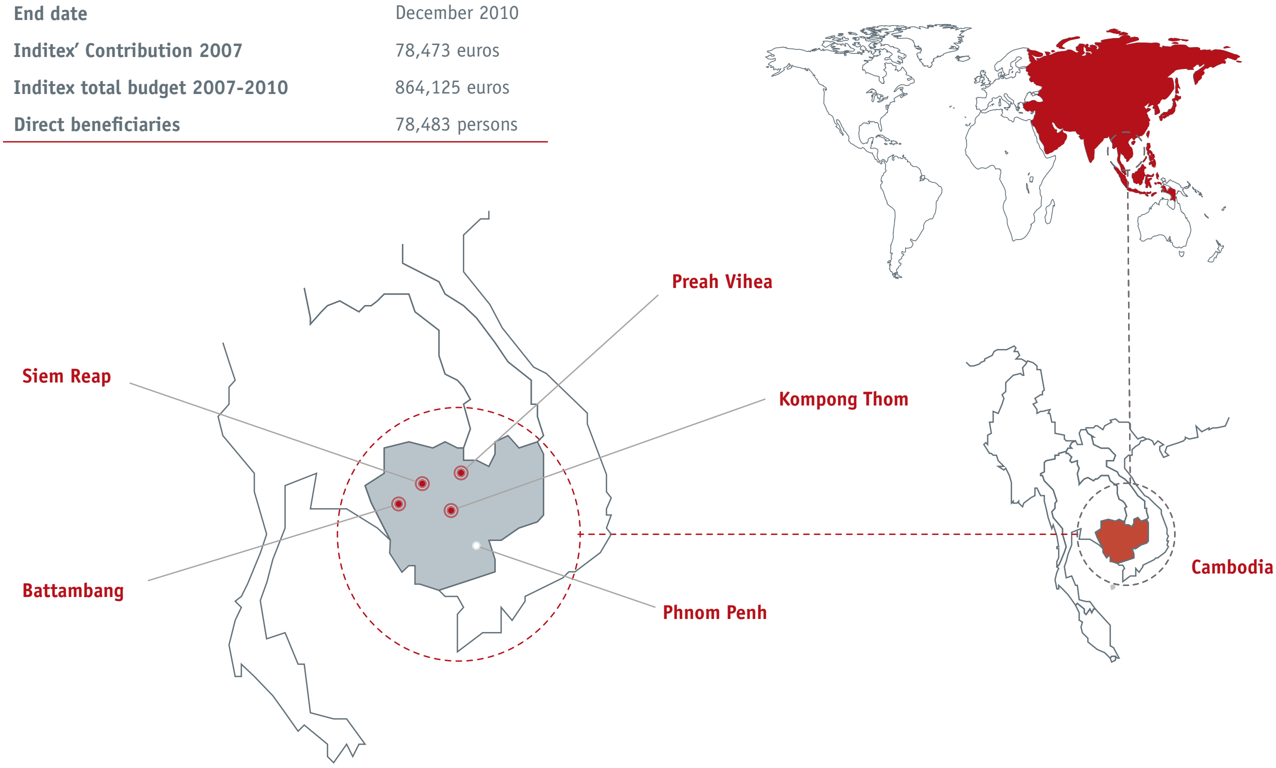
Challenges		Solutions found		Benefits in the communities
Risk in communities	**Impact**	**Diagnosis**	**Actions in mitigation**	**Result of the actions**
A high degree of social exclusion of children and adolescents in the most depressed areas of Peru. Social demand for an educational offer that is free of charge and of good quality. Structural weaknesses for access to education in rural areas of Peru.	Crime, lack of personal and social recognition of thousands of young people. Fe y Alegría schools are incapable of absorbing the flow of demand. Lack of resources and little experience and educational methodologies. Lack of youth training.	Need to strengthen the educational and social initiatives on the net in the most disadvantaged area of Peru.	Four models of systematised intervention for children, adolescents and young people in a risk situation. Extension of the educational coverage in Ayacucho, Trujillo and Huancayo and newly-created schools Acquisition of four sets of educational equipment (multimedia projectors and accessories) and technological access. Execution of the Programme of Technical Assistance and Business Incubator with Propyme.	Implementation of training programmes with Propyme for 65 persons. 15 university grants in the UARM for outstanding students from Fe y Alegría schools. 20,000 persons will benefit from the equipment for rural education promoted by Fe y Alegría. 2,000 children and young people will benefit from the strengthening of educational networks. 7,000 children will benefit from the increase in infrastructures, technical equipment and operational functioning of educational and social work.
Disorganisation in the area of Alto Apure in Venezuela. Communities which have little information and are disorganised.	Increase in the number of Columbian refugees without rights. Lack of civic training, which prevents social organisation and the participation of the communities.	Need to strengthen the human rights, citizenship and social participation in the most disadvantaged areas of Venezuela.	Training in Human Rights and creation of social networks among the most disadvantaged communities. Advice and monitoring of violations of fundamental rights in the area. Training for local and cooperative development in groups and communities.	Improving the social conscience of the communities in Alto Apure. Reducing violence. 400 persons attending the workshops on human rights will obtain theoretical-practical tools to organise and invigorate their communities.
Limitations in the exercise of the right to education: unfair access to basic education in the native Kariña community in Matupo.	Lack of educational infrastructure. Lack of basic complementary services in schools.	Need to strengthen the integral educational system of the native community.	Construction of two educational modules in the affected area. Construction of bathrooms in schools.	104 chidren will have access to school in decent conditions and will receive a satisfactory education for their environment and community.
Improper educational training for workplace insertion in Venezuela.	High level of unemployment in the affected communities. Lack of job options for young people who have no access to advanced education.	Need to manage training which is more centred on the world of work for young people.	Training of young people and teachers with the necessary tools in three technical schools in Venezuela. Equipping of workshops in the Velaz Educational Unit in Venezuela. Training for young people.	2,215 students and 133 teachers will receive resources and training for the development of technical education. 600 young people will receive training in electrical and electronic workshops. 2,000 young Chileans and their teachers will increase their level of training and their possibilities of access to the labour market.
Lack of complete socio-community development for young people in the most disadvantaged areas of Brazil. Young people from secondary education have limited training available.	Lack of physical space for games and culture in communities that are hardly developed. Scarce self-esteem and confidence in personal development. Young people from Manaos cannot gain access to advanced training due to lack of a satisfactory education.	Educational strengthening and community development in three areas of Brazil.	Implantation of educational programmes in centres of community development for children and young people in São Paulo and Santa Catarina. Support for the training of young pre-university students in the area of Manaos.	500 children and young people from districts of São Paulo and Santa Catarina will have access to courses and workshops outside school to strengthen their knowledge and encourage the development of personal aptitudes. 70 young secondary students will obtain the necessary training to gain access to advanced education.

Eñepa native of
the Community Development
project in San José Kañama
(Venezuela).

4.2. The Programmes of Community Development in Asia

Inditex is collaborating with the Cáritas international network in the development of the programme for health and community development in Battambang (Cambodia).

Duration	41 months
Start date	July 2007
End date	December 2010
Inditex' Contribution 2007	78,473 euros
Inditex total budget 2007-2010	864,125 euros
Direct beneficiaries	78,483 persons



Children from Battambarg (Cambodia).

Child from Kompong Thom (Cambodia).

Children from Siem Reap (Cambodia).

The programme will integrally promote the development of the territory of Battambang (Cambodia), by attending to the improvement in the health conditions of its inhabitants. The most important objectives of the programme are: improving the basic health through training, prevention of and attention to common illnesses and improving the living conditions of the communities, by means of training in human rights, civil governability, identification of needs, agriculture and small credits, mainly.

Inditex supports the conduct of the following projects:

- Programme of community health in Battambang.
- Programme of mother and child health in Siem Reap.
- Programme of community development in Siem Reap.
- Programme of integral community development in Preah Vihea.
- Programme of community development in Kompong Thom.

The projects

Cambodia	Regularity	Consumed 2007	Total	Persons benefitted
Mother and child programme				
1. Community organisation.	113,000 €	________	113,000 €	3,000
2. EPI Programme.	26,000 €	________	26,000 €	15,000
3. Nutrition programme.	3,000 €	________	3,000 €	15,000
4. School health programme.	7,000 €	________	7,000 €	15,000
5. Chronic illnesses, tuberculosis and HIV.	16,000 €	________	16,000 €	5,000
Community development programme				
1. Prevention and mitigation of disasters.	8,000 €	________	8,000 €	30,000
2. Training of the community in the management of disasters and emergency funds.	30,000 €	________	30,000 €	25,000
3. Training in community organisation and development.	18,000 €	________	18,000 €	3,000
4. Training in agricultural techniques.	109,000 €	________	109,000 €	5,000
5. Support and empowerment for micro-farmers.	65,000 €	________	65,000 €	7,000
6. Training for setting up micro-businesses.	46,000 €	________	46,000 €	1,500
7. Incidence and political denunciation.	7,000 €	________	7,000 €	1,000
8. Financing and community infrastructures.	136,000 €	________	136,000 €	8,000

Development indicators

Challenges		Solutions found		Benefits in the communities
Risk in communities	**Impact**	**Diagnosis**	**Actions in mitigation**	**Result of the actions**
		Education and training		
Limited degree of literacy (71.3%)	Inequality in the degree of literacy in men (81%) and in women (59.3%) High degree of workplace insertion in children. Breach of Fundamental Human Rights and Employment rules, related to child labour and insufficient remuneration.	Need to increase the degree of literacy, especially among women. Need to increase the degree of school attendance. Need to reduce the degree of child labour.	Promoting social participation by means of the creation of community social organisation structures. Reducing illiteracy by means of non-formal education.	Reducing illiteracy rates in the selected populations in Preah Vihea, Siem Reap and Kompong Thom.
High degree of unqualified rural population (80%)	Breach of rules of fundamental and employment human rights, related to child labour in the agricultural sector.	Need to optimise rural resources.	Guaranteeing food safety, developing alternative ways of life: sustainable agriculture, creation of micro-businesses and development of systems of water management. Implanting programmes of improvement of agriculture: - Using new technologies. - Replacing chemical substances with others of an organic origin. - Implementing systems of water management which permit its use both for irrigation and human consumption.	Constructing community development associations in the eleven villages selected in Preah Vihea and Siem Reap. Consolidating the initiatives in the community development associations in Preah Vihea, Siem Reap and Kompong Thom. Reducing illiteracy rates in the selected villages in Preah Vihea, Siem Reap and Kompong Thom.
		Health		
Lack of primary health care in rural areas. Lack of suitable hygienic and sanitary conditions (60%)	Child death rate: 94.8 per 1,000. The country in south-east Asia that is most affected by AIDS and by epidemics of malaria and cholera.	Need to decrease the rate of child death. Need to guarantee preventive cover (vaccines) of 100% for the child and adult population. Need to optimise the presence of the international staff of Cáritas to pass on their knowledge and experience. Need to transmit key health messages that are easily understandable for the population.	Improving the situation of health precariousness in the rural areas by means of empowering and awareness raising on prevention of illness. Implanting programmes of attention at birth. Implanting programmes of prevention of chronic illness. Implanting epidemiological programmes. Implanting programmes of school health.	Improving the living conditions of the inhabitants of the selected villages through means of prevention. Reducing the child malnutrition rate in the villages. Reducing the mortality rate and the problems relating to pregnancy and birth.

Beneficiarie of the Community Development project in Kompong Thom (Cambodia).

4.3. The programmes of community development in Spain. Palafolls and Allariz

Massimo Dutti *for&from Special People* Allariz

Inditex, through its Department of Corporate Responsibility, in collaboration with the Confederación Galega de Persoas con Discapacidade (COGAMI) and the Borough of Allariz (Ourense, España), inaugurated in November 2007 a pioneer project for the integration of persons with physical handicaps: The store, Massimo Dutti *for&from Special People*.

Beyond commercial activity, this project aims to show that the commitment to the integration of workers with handicaps is a viable reality in economic terms and is possible in human terms. A model which serves as an example in favour of accessibility and for the elimination of barriers in commercial spaces.

Massimo Dutti *for&from Special People* is an unusual and innovative project.

Unusual because:

- The internal architecture, the distribution of spaces, sales areas, furniture and labelling have been designed to eliminate barriers and to allow greater accessibility, both for the staff and the customers, whether they are disabled or not.
- It markets a line of cosmetics with new containers especially designed for persons with a high degree of visual disability.
- It also has a permanent multi-use hall: library, conference hall, for courses and exhibitions which is devoted to the promotion of causes with solidarity, and which is available to different NGOs and other social collectives.

Innovative because:

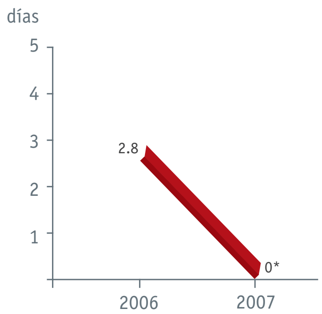
- It permits integration in the workplace of persons with physical disabilities.
- It enables persons who, despite having work experience, have seen how a disability can prevent them for continuing to exercise their normal profession can get back into a job.

Massimo Dutti *for&from Special People* Palafolls

Massimo Dutti *for&from Special People* started in 2002 in Palafolls (Barcelona) through collaboration between Inditex and the NGO *Fundació Privada Molí d'en Puigvert,* made up of the *Comunitat Terapèutica del Maresme* and the Palafolls Agricultural Cooperative.

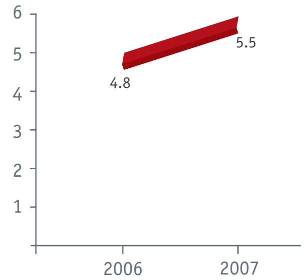
The Foundation runs the Massimo Dutti store in Palafolls as a workplace for persons with severe mental problems. After five years' activity, the Palafolls store is a viable project at the economic level, with social and employment integration.

Evolution of the number of days in hospital per year and patient.



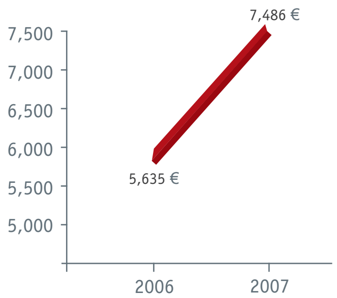
* There is no record of hospital admittance due to illness of store workers

Evolution of the number of workers with TMS full time*

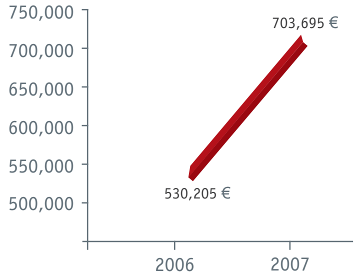


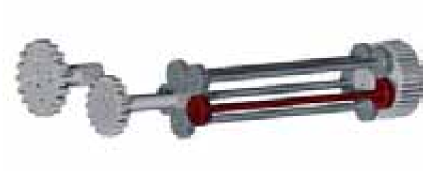
* Calculated value from the working week of forty hours

Evolution of the turnover per square metre



Evolution of the turnover





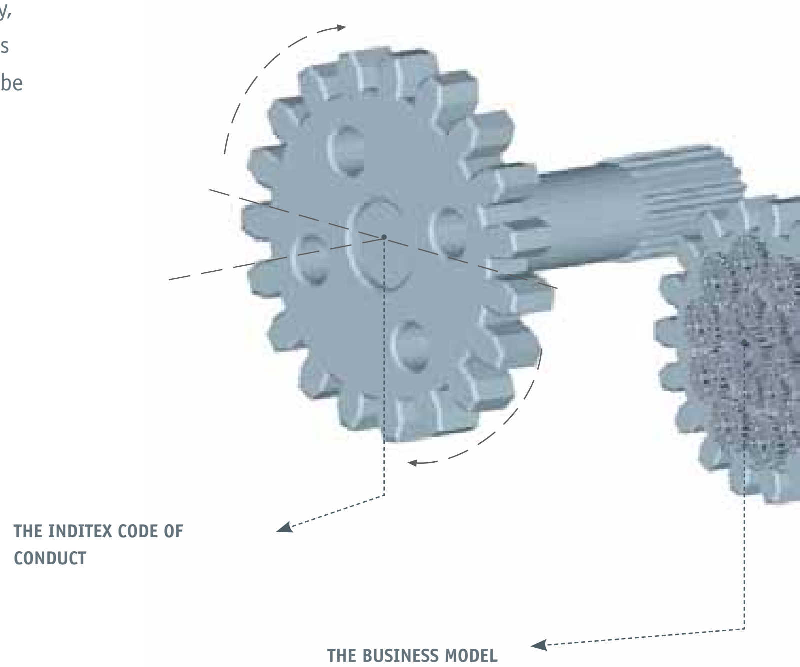
Stakeholders_Society_Programmes of Community Development

5. Educating from emergency

In the case of an emergency and after the first response of assistance, Inditex puts all its efforts into the phase of rehabilitation, encouraging community organisation and local capacities, always attempting to reduce the vulnerability of affected populations.

At Inditex, we act in those emergencies which affect the communities with which we have traditionally been working. We give a response to the applications from our local partners whom we support in the affected areas and in favour of whom we articulate all our efforts.

During 2007, Inditex has set in train action plans to alleviate the negative impact in the communities affected by the earthquake in Peru (reviewed in detail in the following pages) and to help those affected by the fires which devastated Greece last summer. Regarding this country, Inditex has resolved to grant relief in the amount of one million euros for a programme aiming to reconstruct the damaged areas which will be implemented throughout the following fiscal years.



EMERGENCY PROGRAMMES:

Programmes designed to palliate the negative consequences in the life of communities affected by a catastrophe in geographical areas close to the development of activities of fabrication, marketing and/or distribution of Inditex.

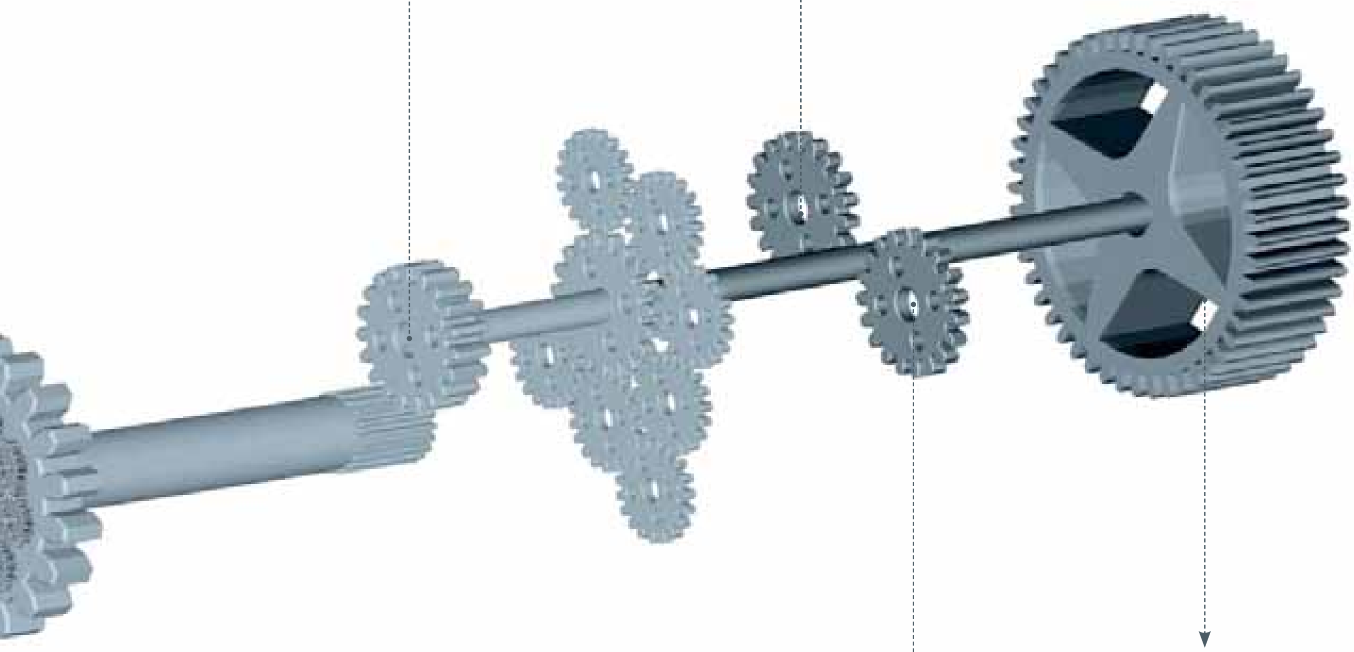
International counterpart:
- Fundación Entreculturas.

Local counterpart:
- Procura de la Compañía de Jesús.
- Cáritas Peru.

CIVIL SOCIETY:

"Inditex undertakes to collaborate with local, national and international communities in which its business is conducted" (Internal Code of Conduct).

Tools:
- Work on the net with international counterparts.



PROGRAMMES IN REFUGEE CAMPS

Programmes of support to populations affected, directly or indirectly, by armed conflicts, forced to leave their homes to search for refuge inside or outside their countries.

International counterpart:
- JRS International.
- MSF Spain.

Countries with social investment.
- Democratic Republic of the Congo.
- Sudan.
- Uganda.

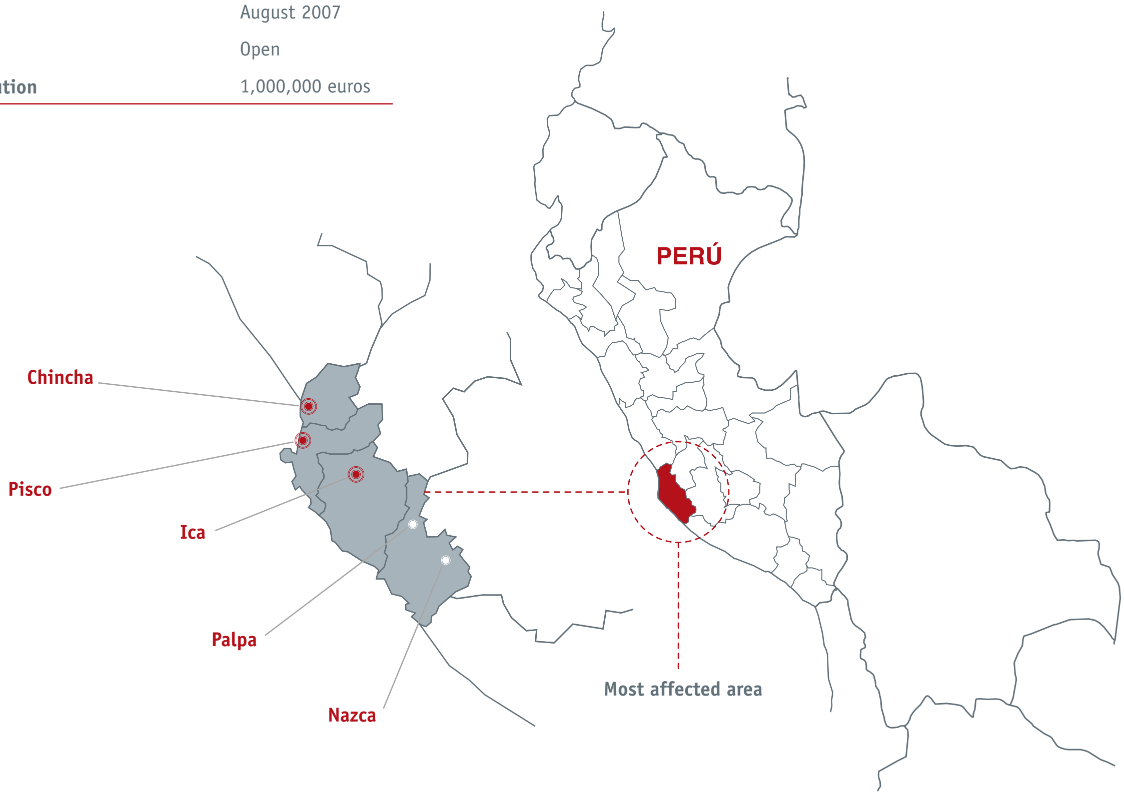
EDUCATING FROM THE REFUGEE CAMPS AND THE EMERGENCY IS:

Alleviating the suffering and helping to re-establish the dignity of the victims.

5.2. Programme of emergency in the area affected by the earthquake in Ica (Peru)

In August 2007, there was an earthquake of an intensity of 7.9 on the Richter scale, whose epicentre was located in the sea, 60 kilometres to the west of Pisco, in Ica, a department that is located 167 kilometres to the south of Lima. Inditex immediately started up a plan of action devoted to palliating the consequences.

Duration	1 year
Start date	August 2007
End date	Open
Inditex' Contribution	1,000,000 euros



The earthquake left 595 dead, 1,800 injured, 76,000 dwellings totally destroyed and uninhabitable and hundreds of thousands of victims.

The Development Office - Procura de la Compañía de Jesús distributed 190 tonnes of food and other supplies. Attending to 60 emergency canteens and 3,500 families in the fourteen sectors organised by the Parroquia Cristo Rey, in the Pueblo Nuevo district of Chincha.

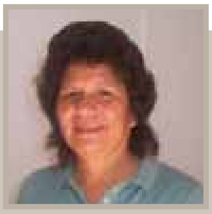
Fe y Alegría, in the situation of emergency, attended to the 1,125 pupils and their families. A canteen was started up and twenty-two provisional classrooms were installed.

The plan of action. Its stages

Promoting and strengthening the local organisations for reconstruction	**Empowering the population for the construction of safe houses**	**Psycho-social support for the affected population**	**Promoting business initiatives among the young people from the district**	**Supporting the reconstruction of educational centres in Ica**
Training 120 leaders.	Installing 75 temporary dwellings.	Training 17 self-help groups.	Training 200 young people in business management.	Reconstruction of the Fe y Alegría Nº 30 school in Pueblo Nuevo (Chincha).
Supporting 12 zone committees.	60 promoters inform 5,850 families about safe and viable construction techniques.	Training 60 promoters in mental health.	Drawing up some 200 business plans.	Construction of two new Fe y Alegría schools in San Clemente (Pisco) and in Ica.
Training and executing 12 zone plans.	Training at least 90 masters and operatives in earthquake resistant construction systems.	Training and accompanying 12 self-help groups.	Selecting 100 business plans to gain access to a non-refundable fund of up to 500 euros.	Support for the reconstruction of 33 publicly-owned schools in the area most affected by the earthquake (Pisco, Chincha and Ica).
Supporting the district committee.	Reconstructing two premises for community use.			Training 33 headmasters and at least 900 teachers in educational management.
Centre of education, organisation and promotion of development. Educational services of El Agustino. Human Rights Commission of Ica. PROCURA Development office.	Pontificia Universidad Católica del Perú. National Service of Training for the Construction Industry. MAGIS Voluntary work. PROCURA Development office.	Pontificia Universidad Católica del Perú. Antonio Ruiz de Montoya University. PROCURA Development office	Centre of Promotion of the Small Company Human Rights Commission of Ica. University of the Pacific. PROCURA Development office	Fe y Alegría. Human Rights Commission of Ica. Peruvian Institute for Education in Human Rights and Peace. Ignatian Consortium of Education.

Players' talk

"... I gained the friendship of the persons I met through the earthquake thanks to which I was able to understand their needs ..."



NILDA RAMOS VENTURA

LOGISTICIAN OF THE PROCURA DEVELOPMENT OFFICE

She formed part of the emergency team which was made up of six persons, the coordinator, the administrator, two logisticians, the social promoter and Nilda. They were responsible for organising the arrival of donations and their distribution through the fourteen sectors and five popular developments of social interest.

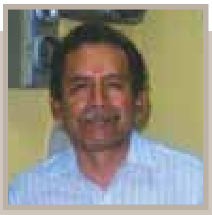
"... We have learned to show solidarity. Before we were in our houses and now we have come out to help each other ..."

MAGALY PALOMINO COPE

VICTIM AND MANAGER OF AN EMERGENCY CANTEEN

Magaly together with other women victims formed first the soup kitchens and then the emergency canteens. In this way, they attended to the needy families in her district.

"... I remember the importance of the power of prayer and people's generosity ..."



LUIS TELLO SHAHUANA

PARISH COORDINATOR

He was one of the fourteen parish coordinators who collaborated to distribute donations in their areas. Thanks to his work it was possible to reach the different human settlements and the most distant areas, attending to the families which could not move in search of help.

"... Organising the emergency canteens was a real achievement ..."

JUANA HUALLANCA PALOMINO

SOCIAL PROMOTER

She formed part of a team made up of the Parish, the Borough, PRONAA and the Procura Development Office to unify the "soup kitchens" into emergency canteens and monitor the canteens in delivering food. Subsequently, she joined the reconstruction team as a Promoter.

"... It was moving to see the victims who put aside their sorrows and came to support us ..."

EDITHA CARIASO MALIGSA

HEADMISTRESS OF THE FE Y ALEGRÍA SCHOOL

The sisters from the congregation and the teachers from the Fe y Alegría school attended to the families of the pupils distributing the aid. They made an effort to begin the classes and attended to the psychological consequences among their pupils.

Effects of the earthquake in Chincha (Peru).

5.3. Programmes in refugee camps of Médecins Sans Frontières

Since 2007, Inditex has been collaborating with Médecins Sans Frontières (MSF) on humanitarian projects in the area of Jowhar, in Somalia, with a project for primary medical assistance in the area.

Duration	Indeterminate
Start date	January 2008
End date	Annual
Inditex' Contribution	1,500,000 euros
Direct beneficiaries	105,000 persons
Phase of the project	Consolidation

MSF is a medical-humanitarian organisation of an international nature which contributes its aid to populations in a precarious situation and to victims of catastrophes of a natural or human origin and of armed conflicts.

Each year, MSF sends out over 4,600 professionals who collaborate with 25,000 local workers who are also hired by the organisation. Currently, MSF has over 350 projects of medical and humanitarian aid in 60 countries, and with over 3.3 million partners and collaborators throughout the world.

The Somalia project has as its main objective to make available to the population in districts of Jowhar and Mahaday basic services of primary health and mother-and-child health free of charge so as to reduce the mortality in the area.

"Alliances such as that signed by Inditex with Médecins Sans Frontières are a crucial reinforcement for private funding of the organisation, as it makes it possible for it to give humanitarian assistance, which is immediate and independent of political agendas in crises which, as in Somalia, are the forgotten ones of the community of donors. To this confidence and to this commitment shown by Inditex, MSF responds with the results of its work on the ground". **Paula Farias, Chairwoman of MSF Spain.**

MSF defines an emergency as a situation of brusque changes in the state of a population which exceeds the capacity for a local response, with the risk of an increase in mortality. In these contexts, the essential objective of humanitarian aid is to save lives, alleviate suffering and help to re-establish the dignity of the victims of these crises.

Their interventions take place in contexts in which a medical-humanitarian response is required, fundamentally in crises deriving from:

- armed conflicts, where the affected population needs integral medical and humanitarian support. They are populations that are harassed and affected, directly or indirectly, by attacks, rapes and murders, debilitated persons, used and forced to leave their homes to search for refuge inside or outside their countries. In these environments of generalised destruction and collapse of the health systems, daily medical, surgical and/or psychological attention is needed.

- endemic or epidemic illnesses, both in contexts of stability and of conflict, which habitually affect populations in remote areas or those of little development, slums in large cities or camps of displaced persons.

- social violence or exclusion from health attention, of which minorities are victims: ethnic groups, immigrants, displaced persons, refugees and/or persons who are excluded as a result of mental or contagious illness, AIDS and/or tuberculosis.

- natural catastrophes, where the response must be immediate, since these populations are in a desperate situation after having lost their homes and goods, as well as often their families.

The projects

Country	Projects	Regularity	Consumed	Total	Beneficiaries
Somalia	- Primary and Mother and child health	1,381,000 €	119,000 €	1,500,000 €	- Over 60,000 persons under the age of 5 and over 8,000 women.
	- Vaccination				- 20,000 children and 80,000 adults.
	- Nutrition				- 753,000 minors.

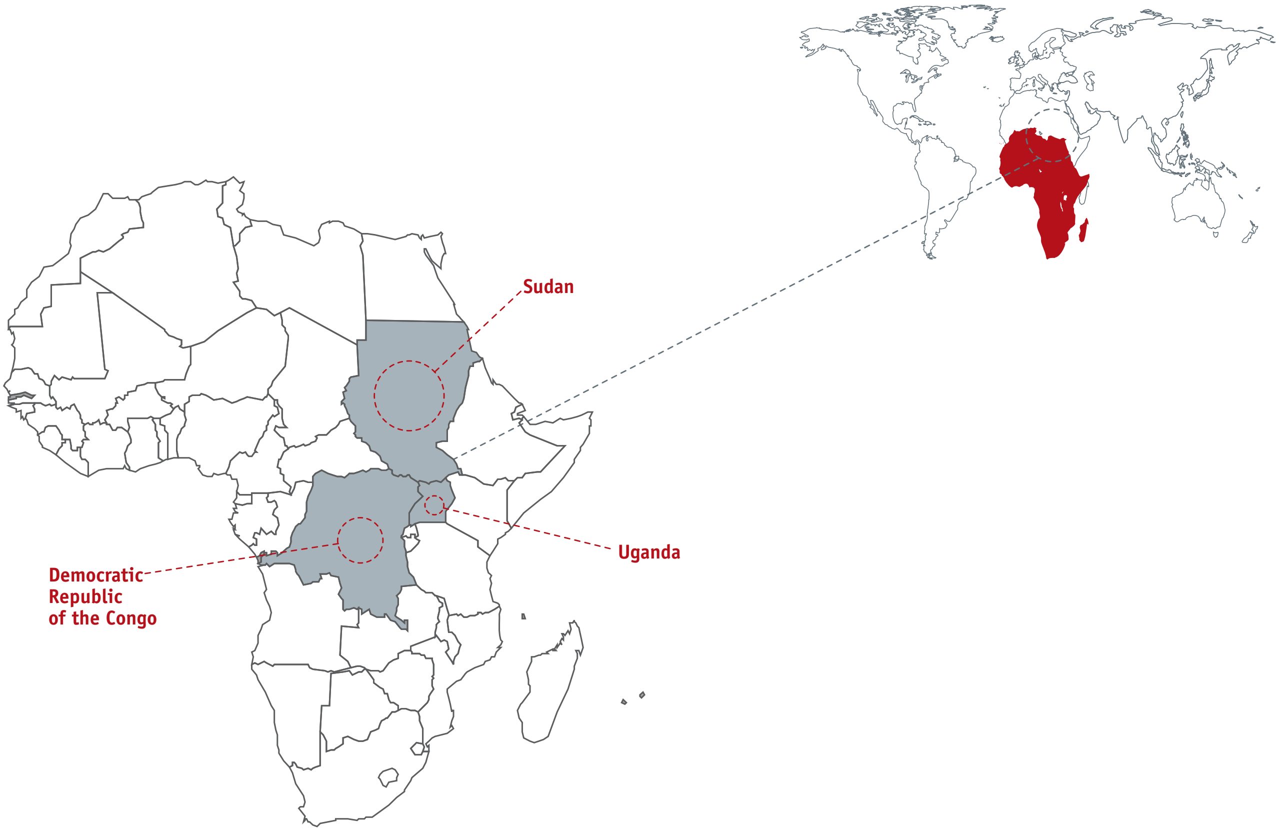
Development indicators

Challenges		Solutions found		Benefits in the communities
Risk in communities	**Impact**	**Diagnosis**	**Actions in mitigation**	**Result of the actions**
		Primary and mother-and-child health		
Lack of access of the population to services of primary health and mother-and-child health in the districts of Jowhar and Mahaday in Somalia.	Gross mortality rate: 1.79/10,000 persons/day. Child mortality rate: 2.38/10,000 persons/day.	Need to reduce the gross mortality rate beneath 1/10,000 persons a day. Need to reduce the child mortality rate (less than five years) beneath 2/10,000 persons a day.	Regular prenatal checks. Ante-natal and post-natal hospitalisation. Integral attention to natural and surgical births in MSF maternity. Activation of an integral service of external consultations. Conduct of activities of water cleaning.	Offering basic and quality services of primary health and mother-and-child health free of charge for the populations of Jowhar and Mahaday in the region of Middle Shabele, Somalia. 98,000 consultations in total: 18,000 children and 90,000 adults correctly diagnosed and treated according to the protocols. Reducing the mortality and morbidity rates in the area.
		Vaccination		
Possible epidemic outbreaks of measles, polio, tetanus, whooping cough and/or diphtheria.	In 2007, no outbreaks of these diseases were reported in Jowhar and Mahaday but the alert will continue in 2008.	Need to guarantee cover with vaccines of 100% for the child and adult population.	Development of an increased immunisation programme. Regular vaccination activities: fixed and mobile.	Vaccinating over 80,000 persons. Vaccinating over 60,000 children under the age of five.
		Nutrition		
Loss of crops due to floods. Bad quality of soils. Bad harvests. Bad food habits. Bad quality of soils. Inflation: high prices for food on the market.	High rates of malnutrition in Jowhar and Mahaday among the child population: - 1.4% with severe malnutrition - 3.2% with moderate malnutrition	Need to reduce the malnutrition rates in children under the age of five.	Start up of regular therapeutic nutritional activities: outpatients and supplementary. Creation of a centre for stabilisation of severely malnourished persons which has been in full operation since September 2007.	Treating over 500 children nutritionally. Reducing the child death rate from malnutrition.
		Training and education for health		
Lack of trained health-care professionals in Somalia. Ignorance of health regulations for safety on the part of the population.	General worsening of the health conditions of the population.	Need to take advantage of the presence of the international staff of MSF to pass on their knowledge and experience. Need to transmit key health messages that are easily understandable for the population.	Professional training and accompaniment of local health staff. Making external consultations on informative and educational activities directed at promoting health.	Raising awareness on health among the population of Jowhar and Mahaday. Preventing the transmission of diseases.

Refugees camp in Jowhar (Somalia).

5.4. Programmes in refugee camps of the Jesuit Refugee Service (JRS)

Inditex gives priority to situations of greater need, and those that others do not cover. Inditex and JRS select situations in which they can carry out a special piece of work, whether as a result of their experience in work in the field or because it is an initiative which could help others to become involved.



In the world, there are about forty million refugees and displaced persons. The majority are women and children who are in Africa or Asia. The commitment of Inditex to education in the most disadvantaged communities in the refugee camps is creating an innovative experience in the educational sphere. The Jesuit Refugee Service is an international organisation which works in over fifty countries with the mission of accompanying, serving and defending the rights of refugees and persons who are forcibly displaced. Inditex works together with JRS to humanise the camps which house millions of refugees and displaced persons caused by armed conflicts, supporting the search for alternative futures for young people and adults.

Programme for Conflicts Prevention in refugees camps in Sudan.

The projects

Country	Projects	Regularity	Consumed 2007	Total	Beneficiaries
Democratic Republic of the Congo	Reconstructing and strengthening the educational system in places to which those who are repatriated return in the east of the country.	100,000 €	116,000 €	216,000 €	4,000 children, 80 teachers and 4 heads of the territorial inspection of teaching.
Sudan	Institutionally strengthening the JRS in Sudan	44,000 €	14,000 €	58,000 €	20 members of JRS Sudan.
Uganda	Support for a quality education of Sudanese refugees in the camps of Adjumani and Moyo.	98,000 €	112,000 €	210,000 €	30,431 pupils, 681 teachers, 295 students in advanced education and 168 school security staff.

Development indicators

Challenges		Solutions found		Benefits in the communities
Risk in communities	**Impact**	**Diagnosis**	**Actions in mitigation**	**Result of the actions**
Uganda houses 220,000 persons in refugee camps. It is estimated that there are approximately 30,000 internal displaced persons.	There has been no return of the refugees. Return of the parents to Sudan and abandonment of the children under eighteen in the refugee camps in Uganda for their education.	Need to improve education at all levels in the settlements of the districts of Adjumani and Moyo in the north of Uganda.	Acquiring school materials for 42 schools Remunerating schoolteachers. Refurbishing 126 classrooms. Inspecting, together with ACNUR, services of orientation and advice for students.	Permitting access to a quality education for 12,500 children of 3-6 years in 42 schools, 18,776 children in 27 primary schools and 3,480 pupils in five secondary schools. Training 661 teachers and 295 future teachers. Increasing the rate of continuing at school, the performance and health of secondary girl pupils through a Programme of Affirmative Action.
Limitations in the exercise of the right to education: unequal access to basic education. Low standards of quality in education. Low training of human capital. Scarcity of material resources: furniture and learning materials.	The rate of registration in primary education in 2003 was 32% of the population of school age. Dramatic desertion of school after 4th year of primary, especially among girls. Male literacy rate three times higher than the female rate.	Need to strengthen the educational system in places to which those who are repatriated return to facilitate their return.	Acquiring and distributing the necessary school materials. Hiring staff in the Fizi–Minembwe centre. Carrying out monitoring visits to the schools. Acquiring and distributing manuals and teaching materials for educational centres.	Refurbishing and equipping four educational centres in the Fizi-Minembwe centre. Training over 80 primary teachers. Distributing 2,800 text books and 10 complete kits of teaching material to ten schools in the territory of Fizi.

6. Educating from commitment

Objectives 2008

Chain of Production	Portugal	China	Morocco	Turkey	Cambodia Vietnam	Bangladesh	India	Spain	The rest of the production chain
Audits of verification of the Code of Conduct with the methodology (TTW).	31	180	42	37	15	15	20	7	73
Audits and monitoring of the workshops with D classification.	12	70	27	21	5	29	10	2	49
Establish office of Corporate Social Responsibility with local staff.			√		√	√	√		
External manufacturers and workshops who work for Inditex to join *Fibre Citoyenne*.			22						
Concentrate production of suppliers.									
Identify the chain of subcontracting.	√	√	√	√	√	√	√	√	√
Visits to the cluster from the Compliance Department.	√		√		√	√	√	√	
Develop the framework agreement with ITGLWF.			√		√	√			
Product health (CTW)									
Develop programmes for raising awareness among suppliers in relation to CTW.	40		50	30	10	20	30	50	
Working groups to deal with the lack of information about legislation and use or regulated substances.	40		50	30	10	20	30	50	
Working groups in the clusters to communicate and raise awareness about the use of *Green Chemicals*.	40		50			20		50	
Working groups to inform of replacement options for PVC in positional printing.	40				10			50	
Demand the fulfilment of the CTW standard from all external manufacturers and workshops, documented by a declaration of agreement.	√	√	√	√	√	√	√	√	√
Working groups to facilitate the details of the substances and materials used in the process of manufacture and documented on the technical specifications of the product.	40	50	50	20				50	
Participate actively in debating forums related with the development of policies of product health.								√	
Product Safety (STW)									
Programmes of awareness raising among suppliers in relation to the existence and the obligatory nature of the STW standard.	5	50	25	20	10	15	5	40	
Demand fulfilment of the STW standard from all External Manufacturers and Workshops, documented by means of a declaration of agreement.	√	√	√	√	√	√	√	√	√
Carry out monitoring audits for the verification of the STW.	4	30	15	10	5	7	4	20	5
Participate actively in debating forums related to the development of product safety policies.								√	
Participation in dialogue platforms									
Working groups of *Ethical Trading Initiative*.		√	√				√		
MFA Forum (Bangladesh).							√		
MFA Forum (Morocco).			√						
MFA Forum (Lesotho).									√
ASEPAM (Global Compact)								√	
Better Factories Programme.					√				
Programmes for Creation of Social Capital									
Training courses for Young Trade Union Leaders.					√	√			√
Programmes of Development and Association									
for&from Special People.								√	
Spectrum Programme.						√			
Educational projects .					√				√

Sponsorship and patronage

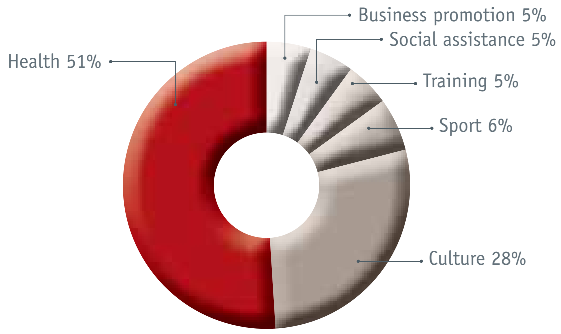
Inditex completes its corporate projects linked to the factories of its suppliers and the communities in which they are with programmes of sponsorship and patronage through collaboration agreements with institutions of various kinds – health, cultural or sporting organisations, among others – and different geographical scope.

Health, culture, sport, training, social help and business promotion are the main areas in which Inditex is collaborating. The linking of the Group with specific projects is managed from the Sponsorship and Patronage Commission, an internal organ which analyses the relevance and viability of the proposals for collaboration. 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 of Inditex. Behind all the projects to which the Group offers its support there are institutions with a solid link to society and experience in the conduct of their activities.

In the sphere of sports, the commitment of Inditex with grass-roots sport in Galicia in a number of disciplines such as basketball, football, handball and hockey is particularly important. The link with Galician culture is made clear in the support for organisations such as the Galician Symphony Orchestra and the Association of Friends of the Opera of Coruña, among others.

Investment in programmes of sponsorship and patronage by area of intervention	**2007**	**2006**
Health	965,783	700,000
Culture	524,031	589,824
Sport	121,767	143,669
Training	96,447	152,202
Social assistance	97,510	119,110
Business promotion	87,841	84,238
General total	**1,893,380**	**1,789,043**

Sponsorship and patronage by area of intervention %



Pro-CNIC Foundation

One of the main contributions of Inditex in the sphere of health is its support for the National Centre for Cardiovascular Research Foundation (Fundación Pro-CNIC), of which it has been a member since its creation in December 2005, together with another fourteen private Spanish companies. The objective of CNIC, attached to the Carlos III Health Institute and managed by Valentín Fuster, is to lead cardiovascular research in Spain and consolidate itself as an international reference.

The CNIC centres its research on the six areas of most impact in the cardiovascular field in the coming decade: vascular biology and inflammation, athero-thrombosis and the cardiovascular image, regenerative cardiology, the biology of cardiovascular development, cardiovascular and genetic epidemiology of populations, and transnational cardiovascular research into new technologies and therapies.

Carolina Foundation

For Inditex, one of its most relevant initiatives in the sphere of cooperation with development is its support for the Carolina Foundation. This institution, which was set up in 2000, promotes cultural relations and cooperation in the matter of education and science between Spain and the countries of the Ibero-American Community of Nations, as well as with other countries with special historical, cultural or geographical links.

The foundation runs programmes of training, research, social responsibility and international programmes for visitors, through which it attempts to strengthen the links between Spain and Ibero-America.

In 2007, Inditex made the links of collaboration with the Carolina Foundation closer through an agreement by which it awards grants for postgraduates for three programmes:

- Master in Economic Development, at the Carlos III University in Madrid.

- European Master in Renewable Energies, at the University of Zaragoza.

- Master in International Cooperation and Project Management, at the Ortega y Gasset University Institute of Research.

Consolidated social investment per project and year (*)

Project Type			2007	2006	2005	2004
(Data in euros)						
Community development	Entreculturas Foundation					
		Argentina	**181,000**	159,286	85,788	144,437
		Brazil	**175,000**	227,831	227,044	147,008
		Peru	**712,000**	627,181	587,121	502,585
		Venezuela	**396,000**	437,822	394,663	376,927
		Chile	**41,000**	5,306	0	0
		Total	**1,505,000**	**1,457,426**	**1,294,616**	**1,170,957**
	Caritas Internacional					
		Cambodia	**78,473**	0	0	0
	Carolina Foundation		**131,040**	124,800	180,030	180,212
	Others		**0**	150,000	278,345	841,142
	Total community development		**1,714,513**	**1,732,226**	**1,752,991**	**2,192,311**
Refugee camps programmes	JRS Internacional					
		Democ. Republic of the Congo	**116,000**	0	0	0
		Sudan	**14,000**	0	0	0
		Uganda	**112,000**	0	0	0
		Total	**242,000**	0	0	0
	MSF					
		Somalia	**1,500,000**			
	Total refugee camps programmes		**1,742,000**	**0**	**0**	**0**
Sponsorship and patronage	Culture		**524,031**	589,824	410,249	726,796
	Sport		**121,767**	143,669		
	Training		**96,447**	152,202	167,864	75,000
	Business promotion		**87,841**	84,238	153,855	8,000
	Health		**965,783**	700,000	873,004	0
	Social assistance		**97,510**	119,110	116,310	0
	Total sponsorship and patronage		**1,893,380**	**1,789,043**	**1,721,282**	**809,796**
	Total (**)		**5,349,893**	**3,521,269**	**3,474,273**	**3,002,107**
Emergencies	Ica Earthquake (Peru)		**300,000**			
	Cruz Roja	Singra		1,000,000	1,000,000	600,000
	Caritas	Tsunami		0	1,000,000	1,000,000
	Spectrum (Bangladesh)			94,908	72,542	0
	Total emergencies		**300,000**	**1,094,908**	**2,072,542**	**1,600,000**
	Total		**5,649,893**			

(*) During the fiscal year, a new measurement sytem regarding social investment has been used, linked to the actual assignment of the amounts effectively devoted for such type of investments. For comparison purposes, the new measurement criterion has been applied to the figures of social investment for previous years.

(**) This quantity corresponds to the social investment of a recurrent nature, excluding the devoted to emergency programmes, so tha the comparison between financial years is homogeneous.

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.

Social Cash Flow

(millions of Euro)	2007 Accounting Year	2006 Accounting Year
Net cash received for sale of products and services	9,435	8,196
Flow received from investments made	15	4
Cash received for sales of assets	40	27
Total value-added flow	**9,490**	**8,226**
Distribution of value-added flow		
Employee wages for their services	1,473	1,251
Tax payments	355	316
Financial debt repayment	-214	159
Dividends paid out to shareholders	522	418
Corporate social investment	6	5
Cash withheld for future growth	568	-67
External payments made outside the group for purchasing goods, raw materials and services	5,839	5,263
Payments made for investments in new productive assets	941	882
Distribution of value-added flow	**9,490**	**8,226**

04

Oysho´s Logistics Centre team.

inditex

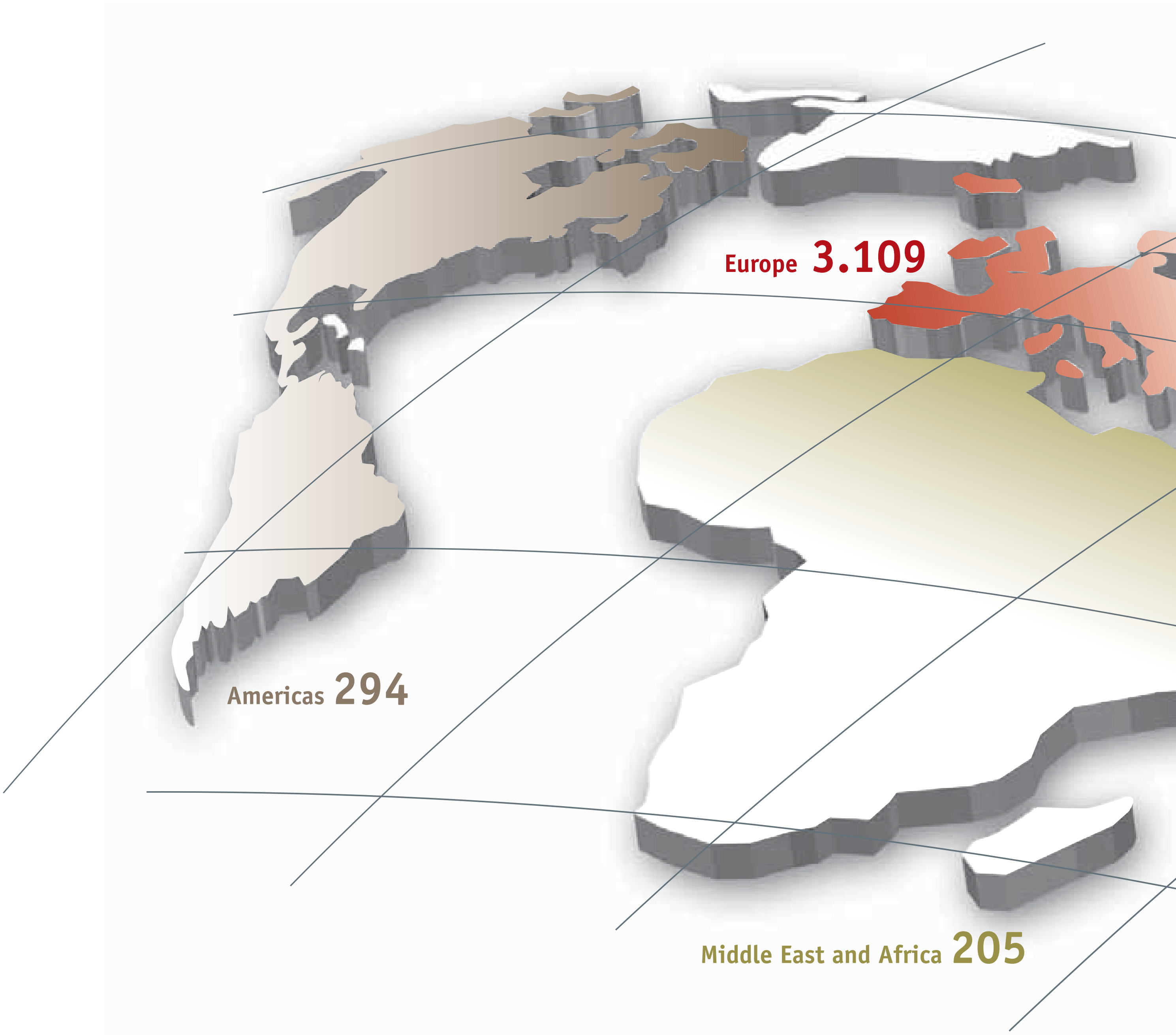
Where is it?

One of the characteristics that the Inditex Group is best defined by international outlook, as having is a history in the international markets stretching back two decades, making it one of the Spanish companies with the most substantial international presence. Inditex's international expansion started in 1988, with the opening of Zara in Oporto (Portugal), followed by two stores in New York (USA) and Paris (France). The decision to expand internationally was taken very early in the company's history, when Zara had barely 60 stores in various Spanish cities, and the policy has never been abandoned, having been extended to the other additional commercial formats in the Group.

Today, Inditex is, with a sales presence in 68 countries in Europe, America, Asia and the Pacific, the Middle East and the north of Africa, one of the leading fashion distributors worldwide. Its stores are located in main streets and shopping areas of over 500 cities in four continents. Some are in such emblematic locations as New York's 5th Avenue, the Champs Elysees in Paris, Regent Street in London, Kufurstendam in Berlin, Corso Vittorio Emanuele in Milan, Via del Corso in Rome, Ginza in Tokyo and Ninjing Xi Lu in Shanghai.

In 2007, Inditex's international outlook meant that 62.5% of its sales were in foreign markets, an increase of 2% as a proportion of total sales over the previous year. This trend is the result of a year in which 80% of the 560 new branches Inditex opened were in international markets. Countries such as Italy, with 98 new Inditex stores, Turkey with 39, France with 37, Poland with 27, Mexico with 24 and Russia with 21 new stores are just some of the markets in which Inditex's commercial presence increased notably throughout 2007.

Inditex began commercial business in four new markets in 2007: Croatia, Colombia, Guatemala and Oman, bringing the number of countries where the Group's stores are to be found up to 68. In 2008, the company plans to start business in Ukraine, South Korea, Egypt and Montenegro. On 31st January 2008 the Group had 3,691 stores.



AMERICAS

MIDDLE EAST AND AFRICA

The Group has a selective growth strategy outside Europe and the Asia-Pacific region. The universal nature of Inditex's fashion designs enables it to grow in other areas, making the most of property and sales opportunities that arise. Hence, Inditex opened 42 new stores in 2007 in the Americas, in particular the 24 new establishments in Mexico, the country with the biggest Inditex presence outside Europe, and 5 new stores in the USA. In the Middle East, Inditex opened 45 new stores through the multiformat growth policy being pursued in this region.

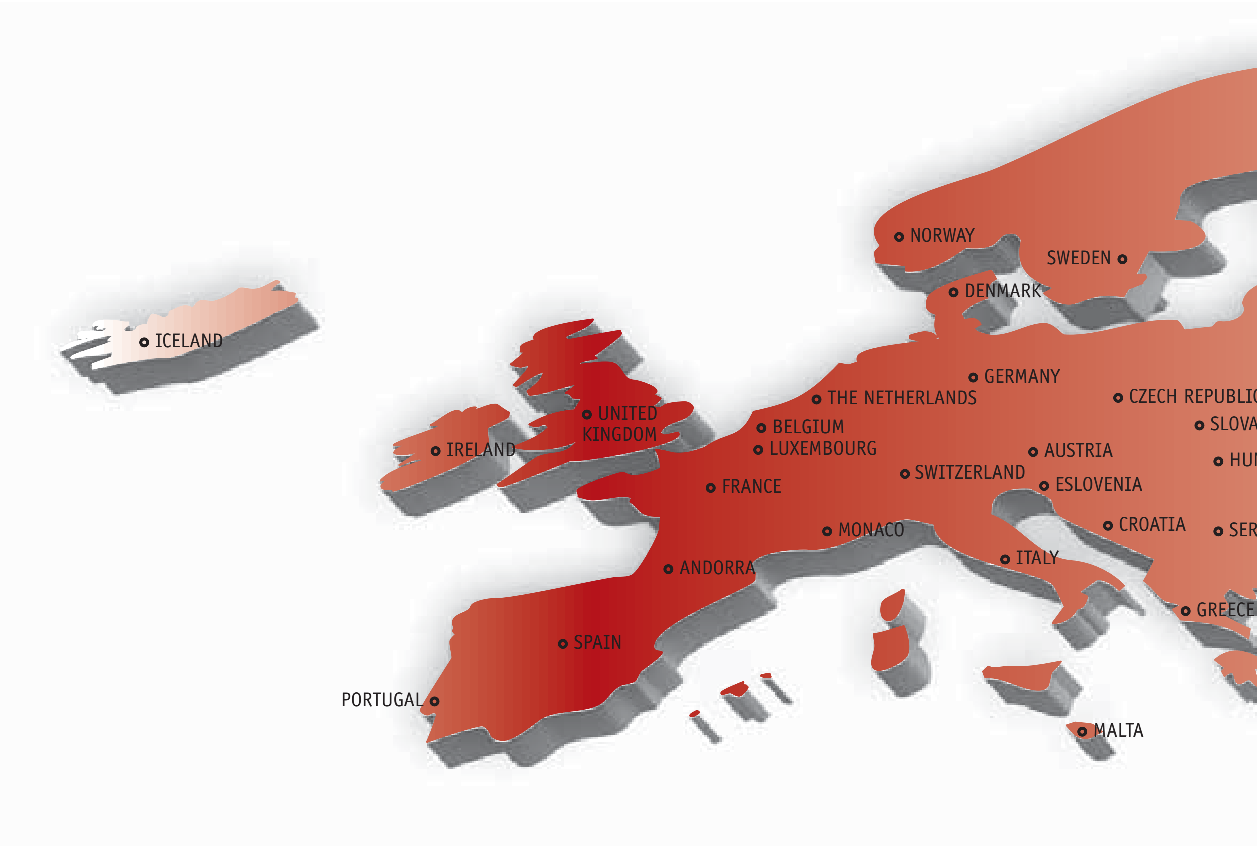
EUROPE

Inditex considers Europe its domestic market, which is where most of its efforts at growth are aimed. During 2007, the Group opened 448 new stores in Europe, representing 80% of the new openings for the year. Expansion in Italy was particularly significant, as 98 stores were opened in the country during the tax year, making a total of 218 on 31st January 2008. In Russia, where 21 stores were opened, total sales space increased by 65%. In Eastern Europe, there was also significant expansion during 2007, with a growth of 61% in sales space, including a move towards multiformat growth.

ASIA-PACIFIC

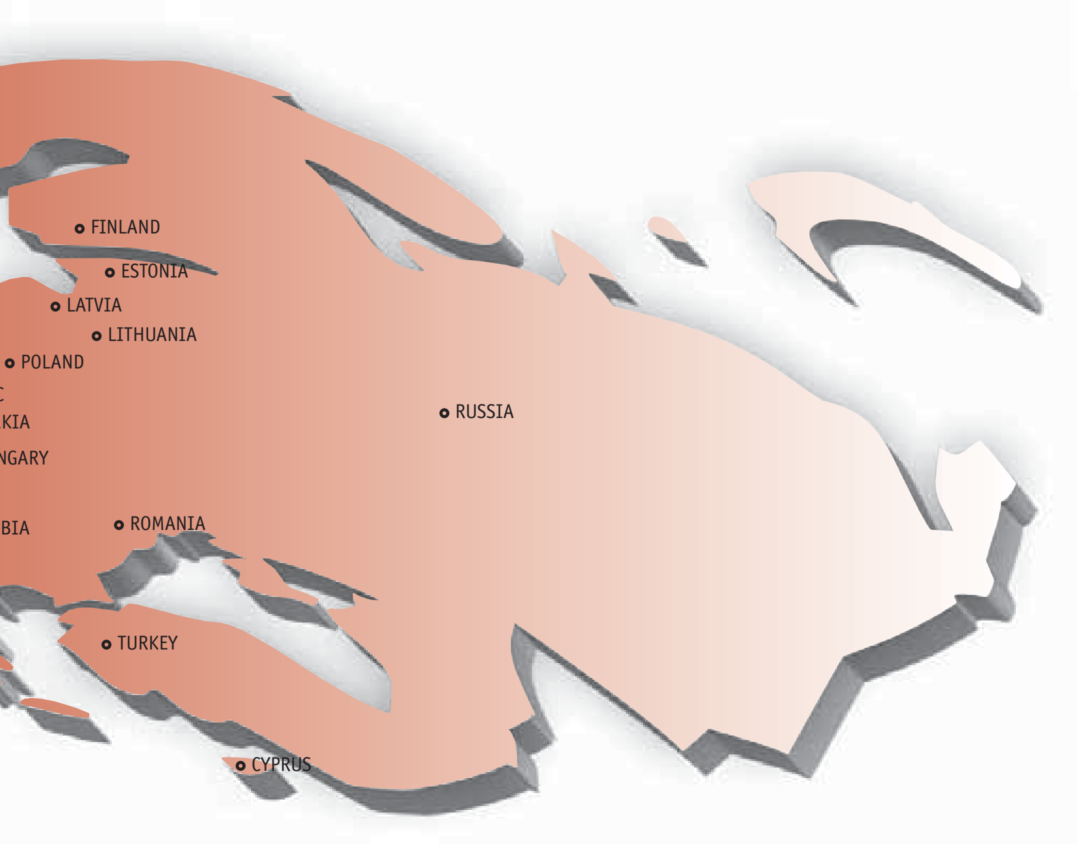
The Asian-Pacific region is the Inditex Group's second priority in terms of growth, after Europe. It is an area in which Inditex maintains a growth in sales space, 32% in 2007, at a rhythm twice that in the rest of the world. Over the tax year, the Group opened 25 new stores in the region. Malaysia, with eight new stores, and China and Japan with seven stores each, have seen most of the expansion. Massimo Dutti continued expanding, with openings in China and Malaysia, while Pull and Bear, which opened its first two stores in Malaysia, became the third format in the Group with stores in East Asia. At the start of 2007, Inditex took another important step in its progress in the Asia-Pacific region, opening its first Zara store in Beijing. Japan and China, together with Korea, where Inditex will open its first stores during 2008, are the key elements in its growth strategy in the region.

Map of international presence



Europe: No. of stores financial year 2007

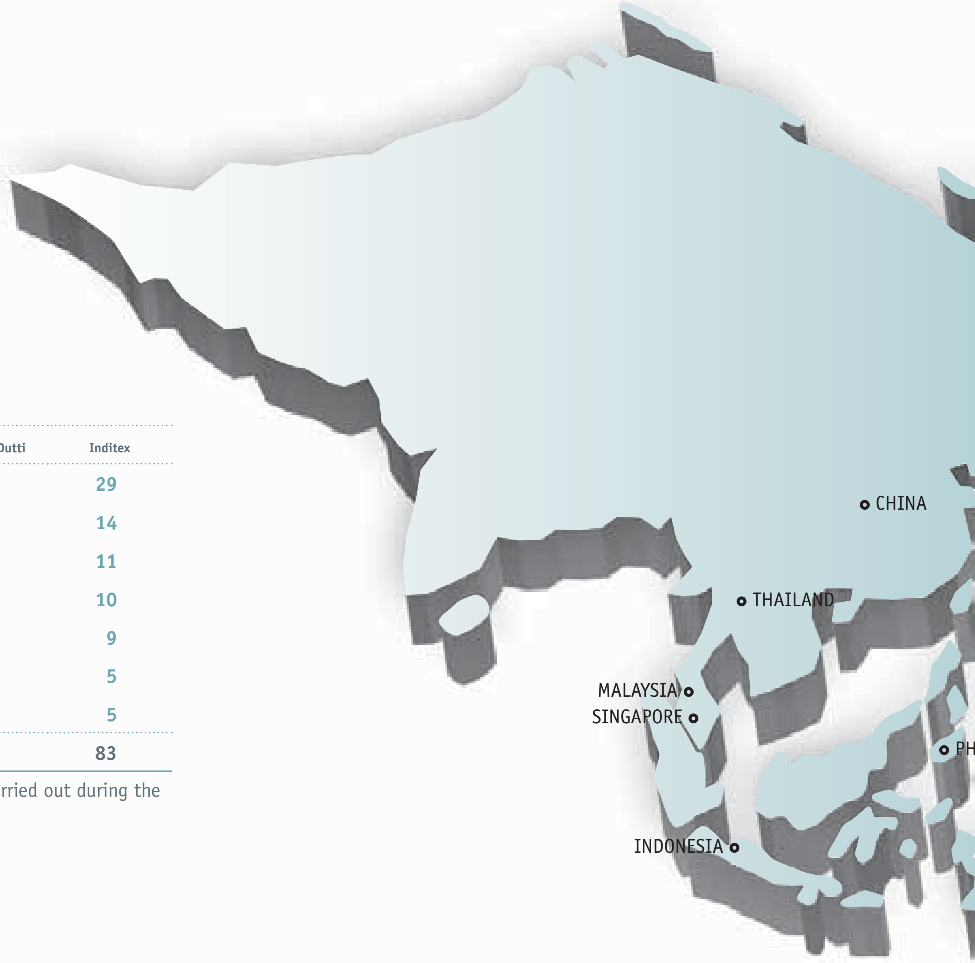
	Zara	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Inditex
Spain	491	286	235	243	243	143	106	1,747
Portugal	73	57	40	39	32	27	18	286
Italy	74	26	6	29	19	46	18	218
France	109	6	13	36	9	**1**	10	184
Greece	48	16	10	19	4	10	5	112
Turkey	22	9	9	9	9	8	7	73
United Kingdom	56		6	5			5	72
Germany	62		6					68
Belgium	23	**1**	19	7			4	54
Russia	18	9	4	6	9	**3**	**1**	50
Poland	18	7		8	6	6		45
Ireland	8	7	1	5	2			23
Cyprus	4	3	2	5	5	**1**	2	22
The Netherlands	12			5			1	18
Switzerland	9		4	1				14
Sweden	9		3					12
Slovenia	4	**2**		**2**	3			11
Austria	10							10



Europe: No. of stores financial year 2007

	Zara	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Inditex
Lithuania	4	2		4				10
Czech Republic	5	2		2				9
Hungary	4	**2**		**1**	**1**	**1**		9
Serbia	3	**1**	**1**	**1**	**1**	**1**		8
Latvia	3	2		**2**				7
Romania	2	2		**1**	**1**	**1**		7
Malta	1	5		1				7
Andorra	1	1	1		1	**1**	1	6
Denmark	4							4
Finland	4							4
Norway	2		2					4
Slovakia	**1**	1		**1**	**1**			4
Estonia	2			1				3
Luxembourg	2		1					3
Iceland	2							2
Croatia	**1**			**1**				**2**
Monaco	1							1
Total	**1,092**	**447**	**363**	**434**	**346**	**249**	**178**	**3,109**

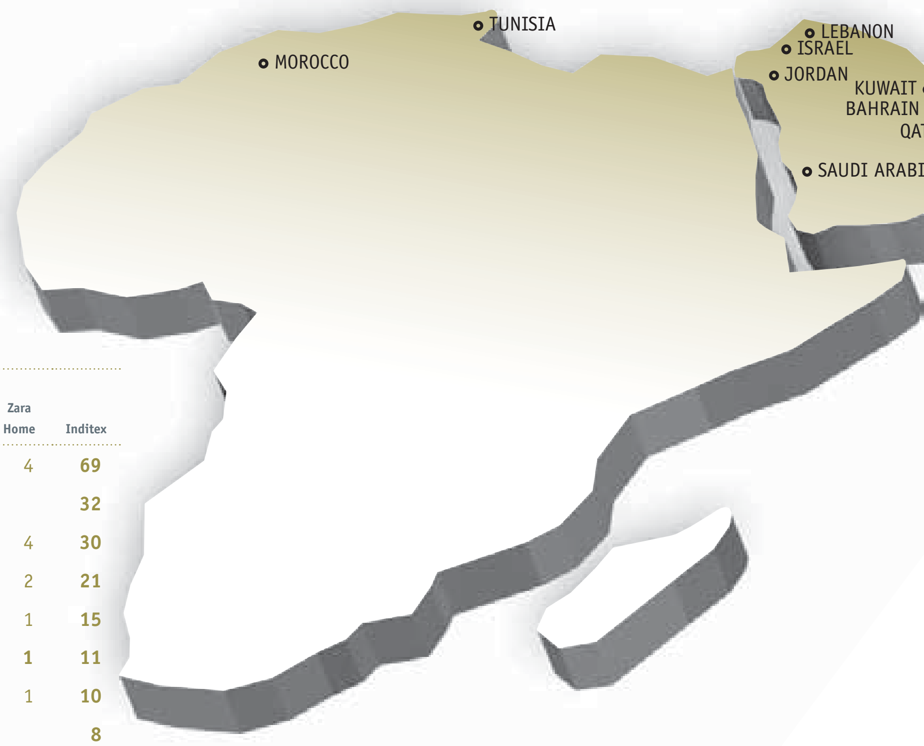
The highlighted figures indicate openings of new markets carried out during the 2007 financial year.



Asia-Pacific: No. of stores financial year 2007

	Zara	Pull and Bear	Massimo Dutti	Inditex
Japan	29			**29**
China	12		**2**	**14**
Malaysia	5	**2**	**4**	**11**
Singapore	5	2	3	**10**
Indonesia	6		3	**9**
Philippines	5			**5**
Thailand	3		2	**5**
Total	**65**	**4**	**14**	**83**

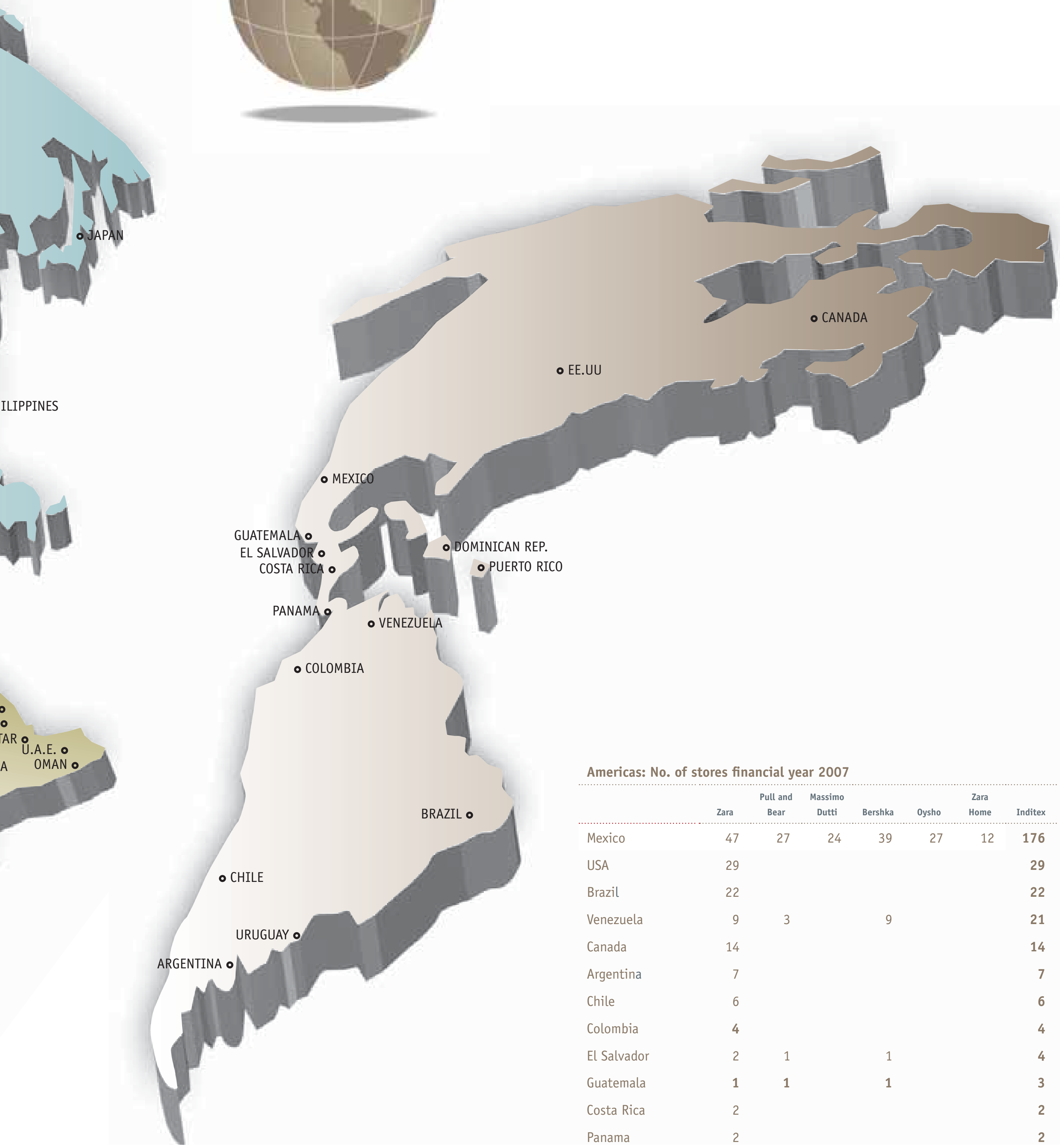
The highlighted figures indicate openings of new markets carried out during the 2007 financial year.



Middle East and Africa: No. of stores financial year 2007

	Zara	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Inditex
Saudi Arabia	18	**3**	7	16	18	3	4	**69**
Israel	15	17						**32**
U.A.E.	5	4	6	4	5	2	4	**30**
Kuwait	5	4	2	**2**	3	3	2	**21**
Lebanon	2	3	3	2	2	2	1	**15**
Jordan	2	2	2	**1**	2	**1**	**1**	**11**
Qatar	2	2	2	1	1	1	1	**10**
Morocco	3		2		3			**8**
Bahrain	1	1	1			1		**4**
Oman	**1**				**1**	**1**	**1**	**4**
Tunisia	1							1
Total	**55**	**36**	**25**	**26**	**35**	**14**	**14**	**205**

The highlighted figures indicate openings of new markets carried out during the 2007 financial year.



Americas: No. of stores financial year 2007

	Zara	Pull and Bear	Massimo Dutti	Bershka	Oysho	Zara Home	Inditex
Mexico	47	27	24	39	27	12	**176**
USA	29						**29**
Brazil	22						**22**
Venezuela	9	3		9			**21**
Canada	14						**14**
Argentina	7						**7**
Chile	6						**6**
Colombia	**4**						**4**
El Salvador	2	1		1			**4**
Guatemala	**1**	**1**		**1**			**3**
Costa Rica	2						**2**
Panama	2						**2**
Uruguay	2						**2**
Puerto Rico	1						**1**
Dominican Republic	1						**1**
Total	**149**	**32**	**24**	**50**	**27**	**12**	**294**

The highlighted figures indicate openings of new markets carried out during the 2007 financial year.

International Growth

The move towards internationalisation was common to all the company's formats, headed by Zara, the chain with a commercial presence in most countries and whose Spanish sales, 28%, have less weight.

Countries in which the company was operating at the beginning of the financial year (1st February 2007)
Countries which it has entered during 2007
Countries in which it was operating at the close of the financial year (31st January 2008)
Stores at the close of the financial year
Stores outside Spain at the close of the financial year
Percentage of sales outside Spain

Countries in which the company was operating at the beginning of the financial year (1st February 2007)
Countries which it has entered during 2007
Countries in which it was operating at the close of the financial year (31st January 2008)
Stores at the close of the financial year
Stores outside Spain at the close of the financial year
Percentage of sales outside Spain

The Group's business model and, in particular, the universal nature of its fashion designs, means Inditex can take full advantage of the opportunities for growth that arise in highly diverse markets. In the light of this advantage, during 2007 Inditex opened new stores in 50 of the 68 countries in which it was present on 31st January 2008 and in 19 of those it strengthened its multiformat growth with the arrival of new chains.

Zara	Pull and Bear	Massimo Dutti
63	27	29
Croatia, Slovakia, Guatemala, Colombia and Oman	Belgium, Slovenia, Hungary, Serbia, Latvia, Guatemala, Saudi Arabia and Malaysia	Serbia, China and Malaysia
68	35	32
1,361	519	426
870	233	191
72%	45.3%	51.3%

Bershka	Stradivarius	Oysho	Zara Home
24	19	12	15
Slovenia, Hungary, Serbia, Latvia, Romania, Slovakia, Estonia, Croatia, Guatemala, Kuwait and Jordan	Hungary, Serbia, Romania, Slovakia and Oman	France, Russia, Cyprus, Hungary, Serbia, Romania, Andorra, Jordan, Bahrain and Oman	Russia, Lebanon, Jordan, Qatar and Oman
35	24	22	20
510	381	290	204
267	138	147	98
49.6%	24.9%	40.4%	44.9%

05

Inditex´s Annual General Meeting of Shareholders 2007

How is it governed?

Normally the Corporate Governance tends to be defined as the way in which the companies are organised, managed and controlled. In this context, good corporate governance refers to the administrators and managers responsible for governance acting diligently, ethically and transparently in performing their functions.

Article 5.4 of the Regulations of Inditex Board of Directors states: *The Board of Directors will perform their functions in accordance with the social interest, defined as the long-term viability and maximisation of the value of the company in the common interest of all shareholders, which should not impede other legitimate public or private interests being taken into consideration as they affect the performance of company activity and especially those that affect other stakeholders in the company: employees, customers, suppliers and society in general. The Board will determine and review the company's business and financial strategies in the light of this principle, attempting to establish a reasonable balance between the chosen proposals and the risks taken*. The maximisation of company value may therefore only be understood as the continuous creation of value for every stakeholder: employees, shareholders, customers, business partners, suppliers and society in general, i.e. a model of a socially responsible company involved in a continuous two-way dialogue that benefits every related agent.

Thus it is concept of good corporate governance as a necessary instrument to meet the objective of long-term, net total wealth creation, which has to be expressed through management acting ethically and transparently, while being subject to internal checks and controls.

Such good corporate governance is an element of corporate social responsibility, understood in its widest sense, and thus becomes a strategic instrument for company efficiency to achieve competitive advantages in conjunction with social action and social responsibility in the strictest sense and with environmental sustainability.

Regulations of Corporate Governance

These consist of:

- Articles of Incorporation, approved in their latest version by the General Shareholders' Meeting of 16th July 2004 and partially modified by agreement of the General Meeting of the 18th July 2006.

- Regulations of the General Shareholders' Meeting, approved by this body at its meeting on 18th July 2003 and partially modified through various agreements of the General Meetings of 18th July 2006 and 17th July 2007.

- Regulations of the Board of Directors, whose latest revised text was approved by the Board on 11th December 2007.

- Internal Regulations for Conduct for Inditex and the company group in relation to the stock markets, whose latest revised text was approved by the Board of Directors on 13th June 2006.

- Internal Code of Conduct and Code of Conduct for Inditex External Manufacturers and Workshops, approved by the Board of Directors on 23rd February 2001, the latter being rewritten at the meeting of the 17th July 2007.

- Internal Directive on Responsible Staff Practices for the Inditex Group, approved by the Board of Directors on 13th June 2006.

The biggest achievement during 2007 was to adapt these regulations to the Unified Good Governance Code, approved by the Board of the National Stock Market Commission at its meeting on the 22nd May 2006. The Unified Code formulates voluntary recommendations and applies the principle of "comply or explain", i.e. that quoted companies should state in their Annual Corporate Governance Report the degree to which they comply with the recommendations or, if necessary, explain why they have not.

The Corporate Report, page 276 and subsequent, provides full information on Inditex Good Governance.

The internal Inditex regulations were adapted to the Unified Code in the following way:

1.- Articles of Incorporation: They did not require revising,as in their current version they were fully compliant with the most demanding principles of good governance.

2.-Regulations of the General Shareholders' Meeting: The original version of the Regulations already complied with most of the Recommendations of the Unified Code; however, they were revised at the Ordinary General Meeting in 2007, extending the powers held by the General Meeting, increasing the information available to shareholders with regard to the directors whose appointment they propose, regulating separate voting on substantially independent issues and expressly admitting the possibility that financial intermediaries can divide the vote.

3.- Regulations of the Board of Directors: This body, at its meeting on 11th December 2007, agreed on the revision of its regulations, in line with the following criteria:

- Adopting most of the 52 recommendations of the Unified Code relating to the Board of Directors, its members and its commissions, including the executive and the supervision and control commissions.

- Avoiding, as far as possible, the literal transcription of the recommendations, when the assumption behind the principles is evident and in order to avoid an excessively legal-sounding and detailed text.

- Avoiding also literal transcriptions in such cases where it is understood that compliance with the recommendations should be verified, if necessary, through the decisions adopted by the company when the events foreseen in them occur.

Thus, the Annual Corporate Governance Report approved by the Inditex Board of Directors, in accordance with the legally established model, is designed as a document that provides complete and reasoned information on the Company's governing structure and practices, so that the market and interest groups can form a faithful image and complete, well-founded judgement on the corporate government of the Inditex Group and on the degree to which the recommendations of good governance approved to this effect have been observed.

Bodies and Mechanisms of Corporate Governance

After these modifications, Inditex Corporate Governance is expressed through the following institutional and operational bodies and mechanisms:

1.- The General Shareholders' Meeting

- Inditex puts into practice the principle of "one share, one vote", there being no voting caps, thus the degree of good governance obtained is optimum.

2.- The Board of Directors.- As it consists of an Executive Director Representing Controlling Shareholders, who is its Chairman and the founder of the Company, two executive directors, a director representing controlling shareholders and five independent directors, to the extent that they are all people of professional prestige and completely separate from the executive team and main shareholders, a majority percentage of independent directors is obtained that is much higher than would correspond proportionally to the company's floating capital. During the six meetings held over the year, the Board of Directors, among other things, accepted the issues raised by the Audit and Control Committee and the Appointments and Remuneration Commission, analysed and approved the results that the company is regularly required to provide to the market and its supervisory bodies, proposed the reform of the regulations of the General Meeting and agreed to modify the Regulations of the Board to adapt both texts to the Unified Code of Good Governance, approved the Annual Corporate Governance Report for the year 2006 and the Triple Report and approved a new Code of Conduct for Inditex External Manufacturers and Workshops.

3.- The Audit and Control Committee.- Beyond legal requirements and the recommendations, this Committee consists of five directors, all independent in the above-mentioned way. During 2007, it met on five occasions and, as well as examining the results of the company and the information supplied to the market, it considered such relevant issues for good governance as the protection and supervision of the function of the Inditex Group Internal Audit, the identification and evaluation of threats to the group and the analysis of the first annual report presented by the Ethics Committee.

4.- Appointments and Remuneration Commission.- This consists of five independent directors and during the tax year it held five meetings where it analysed and reported on, among other matters, the naming of managers, transactions with related parties and the human resources policy.

5.- The Regulations Compliance Committee and Management.- Reporting directly to the Audit and Control Committee, the Regulations Compliance Committee, consisting of the company's CEO, who is its Chairman, the General Secretary, who is also the Regulation Compliance Manager, the Capital Market Manager and the Human Resources Manager, has the general function of promoting knowledge and ensuring compliance with the Internal Conduct Regulations for Inditex and its Company Group in matters relating to the Stock Market. During the year, it met on four occasions in relation to specific operations with Inditex shares.

6.- Ethics Committee.- During its first year, this Committee, made up of the General Secretary and the Regulations Compliance Manager, the Human Resources Manager and the Corporate Social Responsibility Manager, supervised the application of the Inditex Staff Responsible Practices Directive, an instrument designed to ensure the professional, ethical and responsible behaviour of its employees in carrying out company activities in any part of the world.

Transparency and Information

Good governance requires stakeholders to have regular, prompt access to relevant, sufficient and reliable information, both in relation to the rules and practice of governance and in the results achieved.

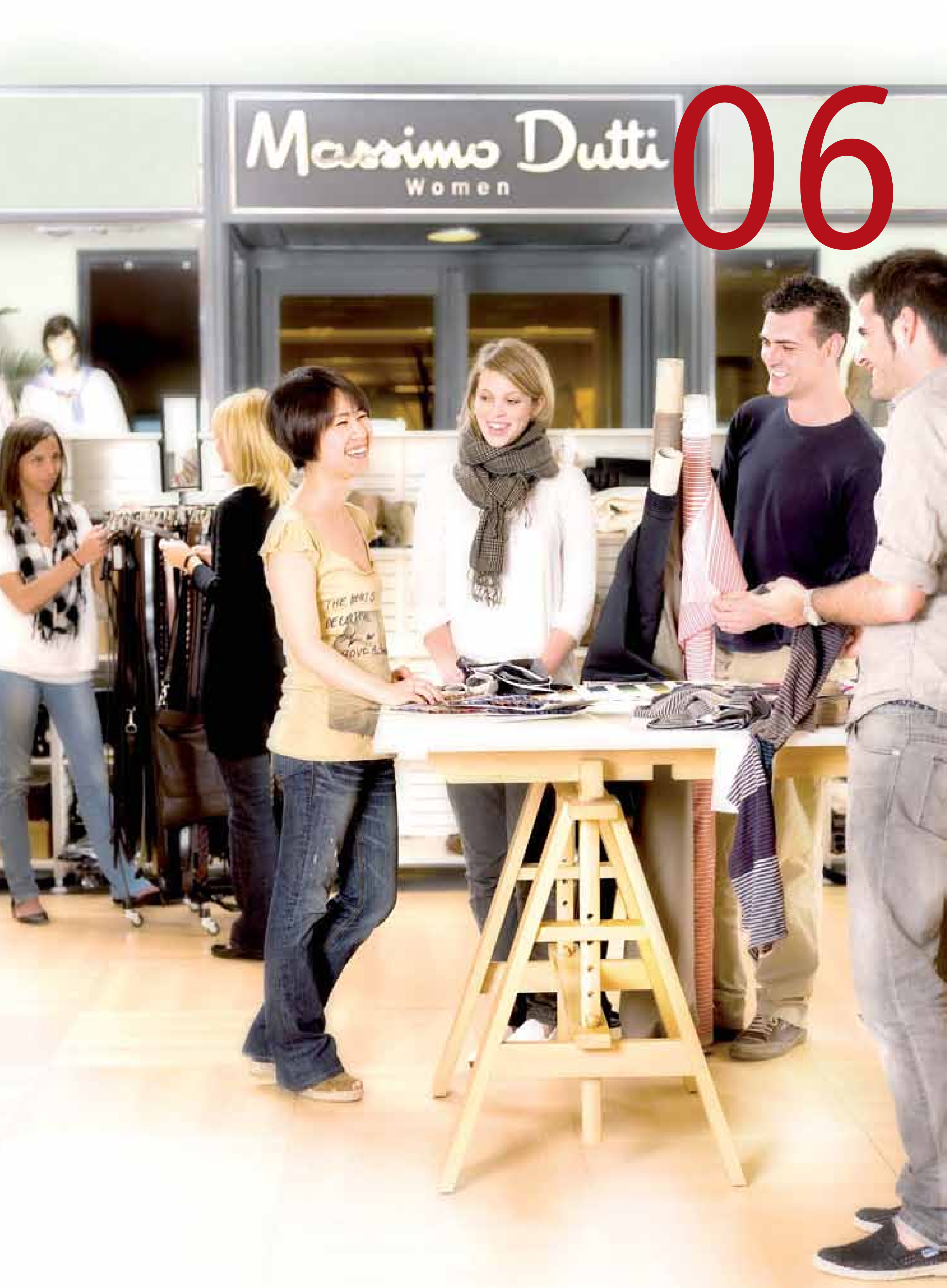
To do this, and in order to conform to maximum corporate transparency, the Company, as well as including all relevant information and reports in its corporate website, kept the market informed as necessary throughout 2007 by sending out relevant market releases (an extensive distribution list with market investors, analysts and sources of information), press releases (to media outlets and agencies) and through webcast conference calls and road-shows in the main European and American financial marketplaces, which were held following the recommendations of the National Stock Market Commission contained in its letter dated 22 December 2005: Recommendations on the informative meetings with analysts, institutional investors and other professionals of the stock market, in order to prevent selective dissemination of relevant information and to comply with the principle of equality in dealing with investors.

Members of the Board of Directors on 31st January 2008

		Commissions		
Executive	**Members**	**Audit and Control**	**Appointments and Remuneration**	**Nature**
Chairman				
Mr. Amancio Ortega Gaona	**			Major Shareholder - Executive
First Deputy Chairman and CEO				
Mr. Pablo Isla Álvarez de Tejera	*			Executive
Second Deputy Chairman				
Mr. Carlos Espinosa de los Monteros	*	*	**	Independent
Directors				
Gartler S.L. (represented by Mrs. Flora Pérez Marcote)				Major Shareholder
Mr. Francisco Luzón López	*	**	*	Independent
Mrs. Irene Miller		*	*	Independent
Mr. Juan Manuel Urgoiti López de Ocaña	*	*	*	Independent
Mr. José Luis Vázquez Mariño	*	*	*	Independent
Secretary				
Mr. Antonio Abril Abadín	*			Executive

* Members of the Commissions
** Chairman of the Commission

06



Massimo Dutti´s Designers and Merchandisers team.

Who form the teams?

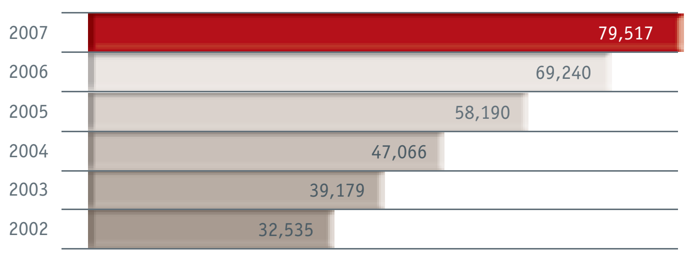
The 2007 financial year continued to distinguish itself by focusing its human resource efforts on growth and internationalisation. The opening of 560 new stores belonging to the Group, now reaching almost 2 million squared million metres of sales surface in the 68 countries in which it operates, followed by the inauguration of new logistics centres was a huge challenge in internal recruitment, training and promotion of employees to take over the new management responsibilities.

Growth challenges

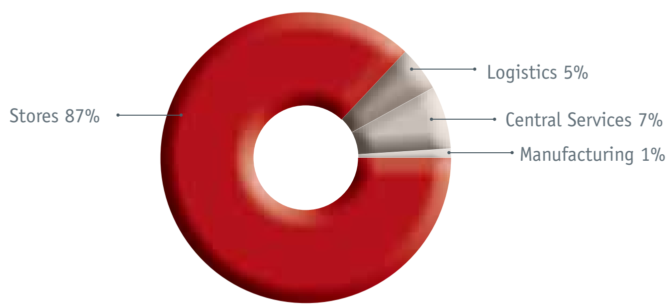
Inditex staff has grown by 10,277 people in 2007 alone, reaching a figure of 79,517 employees all over the world. This implies an increase of 14.84% from the previous year.

The stores are the main employment engine of the Group, as much for its influence on the total staff as for employment posts created every year as a consequence of its strong growth.

The growth in the total number of employees

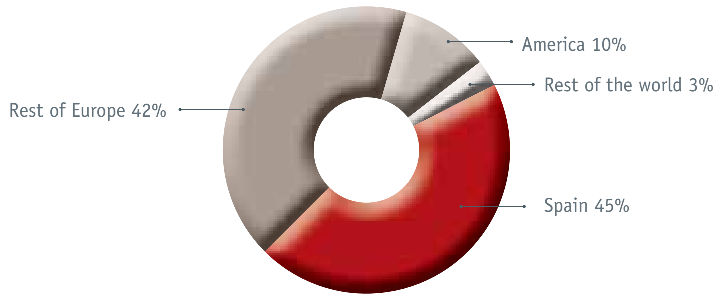


Employees by activity



The majority of the employees, 87%, work in Europe. 10% work on the American continent while the rest of world represents 3% of the total staff. This structure corresponds to the commercial distribution, the largest presence being in Europe. The opening of new stores are located for the main part - 80% - outside Spain. As a result, for the first time, the majority of Inditex's employees - 55% - are located in other countries.

Employees by geographical area



Recruitment and internal promotion

The ability to attract and retain talent for an international organisation is as important as the appropriate transmission of the company culture as a guarantee that it provides the same service to customers all over the world. This would not be possible outside a structure of social understanding where responsibility, commitment and, above all, respect for diversity were not present.

Among the main projects dealing with growth, the following are highlighted:

A) The incorporation of future executives with experience coming from the *Executive Development Programme* from the most important business schools in the world, like INSEAD, London Business School, Harvard Business School and IESE.

The programme begins with a training period of between 6 and 8 months mainly in the stores, logistic centres, central services and subsidiaries. Then commences a professional career orientated towards subsidiaries, central departments, multifunctional projects or new business development.

This executive development programme has already yielded clear results with the integration of these professionals to jobs with corporate responsibility. Hence, during the financial year of 2007 executives trained in previous years were incorporated into subsidiaries in countries like, Croatia, the United States, Brazil or China.

B) The Young *Designers Project* allowed for the incorporation of recent graduates to the sales departments of our fashion chains in more than 15 countries.

Commercial and technical product designers visit the main fashion capitals of the world such as Tokyo, New York, Paris and Milan to establish and analyse trends that are then combined with information obtained in the stores on the demands of the customers . This constitutes the base on which the sales formats develop their new designs. The Group's employees cover over 10 million kilometres during the year in order to fulfill this objective.

C) The need for employment creation in new logistic platforms resulted in, amongst other actions, an agreement with the Meco City Council (Madrid) to incorporate 800 new jobs in the Zara and Zara Home logistic centres.

D) Special attention was required for the opening of initial recruitment and training centres in Madrid and Barcelona so they could incorporate new employees in the stores with enough sales vocation and training to attend our customers.

E) The need to organise production closely with Asia led to the creation and expansion of the purchase management offices.

Training

In 2007, Inditex invested 40 million euros in training programmes for its employees. Upwards of 70% of these funds were allocated for the welcome programme for store staff. In addition to this training for store employees during the first months of the activity of the new point of sale, Inditex assigns more than 11 million euros to classroom training. During the fiscal year, approximately one million hours were spent in classroom training in order to improve the commercial skills of the staff and their capacity to act in a global environment.

The celebration of an academic meeting with six of the professors from the most important business schools in the world (Columbia, IE, IESE, INSEAD, IMD, ESADE) was an important landmark in the last financial year. During the meeting, employees and professors had an opportunity to exchange experiences between the company and the academic world. The employees from the central services could also attend the meeting. It was also followed by the subsidiary employees who had the opportunity to participate thanks to an on-line device.

Most of the training efforts were directed towards dealing with growth and internationalisation, with particular emphasis on the opening or the expansion of logistics centres. In April 2007, Inditex inaugurated a distribution centre in Meco (Madrid) with a staff of 800 professionals where the logistic activities for Zara and Zara Home co-exist. The Human Resources Department managed the specific training for job operation as well as theoretical and practical training in the prevention of work accidents, work organisation and training workshops.

The launch of the Group's first on-line store for Zara Home required an adaptation of processes in fields such as logistics and customer care, amongst others. The adaptation of tasks required specific training plans for the professionals responsible for the new sales channel.

The 2007 financial year was distinguished from a training point of view in the extension of the Store Management Terminal (TGT), a new I.T. programme that acts as a communication channel between the stores and the corporate areas of the Group. The TGT that is being slowly implemented in all establishments around the world, allows the provision of on-line training programmes for store personnel such as training on prevention of accidents in the workplace.

The internal training plans are of a diverse nature:

1. Introductory training and new incorporations
2. Team leadership and management
3. Languages
4. Information Systems
5. New technologies
6. Individual Training plans
7. Store management systems (TGT, Cashiers, PDA)
8. Product training, raw materials and collection presentations
9. Custom-made tailoring

Given the multinational character of the company, language programmes are the most widespread among employees. Spanish and English are the most popular languages.

Additionally, the company also offers general courses in corporate social & environmental responsibility, work accident prevention policies through on-line and presential supports.

Apart from the general training courses, Inditex develops personalised training plans for each and every employee assigned to corporate areas in the company. These personalised programmes, designed in conjunction with the Department of Human Resources and the manager of the new employee, last on average 15 days and include several in-store training days. The store is a key element in the business model for Inditex and a crucial point for any professional, independent of their work area, to understand the culture and values of the company.

Furthermore, in 2007, the Zara chain carried out a people training plan for the store managers in aspects such as delegation, communication, motivation and team development. This project will continue during the 2008 financial year.

Talent management is one of the strategic values of the human resource company policy and is practiced on all corporate levels. One of Inditex's aims has always been to create environments in which their employees can put their abilities into practice and grow professionally within the company. Almost all the store managers began as store attendents in Inditex.

In line with the Group's expansion, Inditex has continued to support talent management through the Identification Programme and Potential Development. This programme is devised according to optimum talent identification, training and development in the work place. Therefore, we can respond to a two-fold objective: cover posts of responsibility and guarantee that these people will be successful in their work peformance in the company. During 2007 practically all the subsidiaries and the majority of the franchises of the Group have been consolidated.

The effort made by Inditext to detect and promote talent on all levels means that the company is considered one of the most important companies in the world in leadership management. In 2007, the American magazine *Fortune* and the human resource consultancy *Hewitt Associates* carried out a study on companies with the best practices in developing talent within the company, named *Top Companies for Leaders,* Inditex was situated in third place in Europe and eleventh in the world. It is the only company in its sector with this world classification.

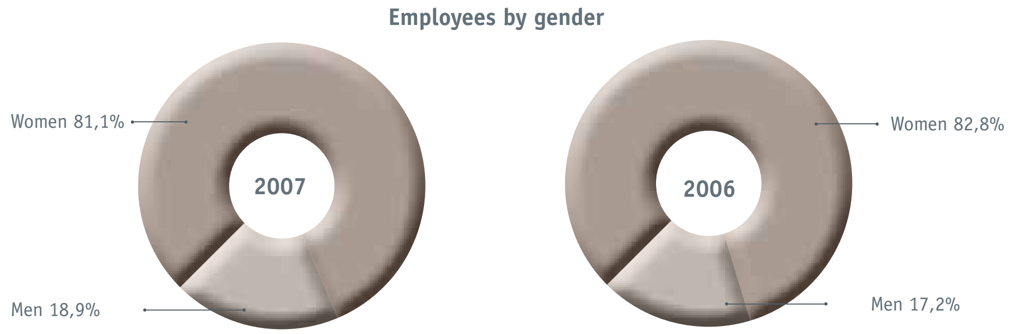
The Top Companies for Leaders

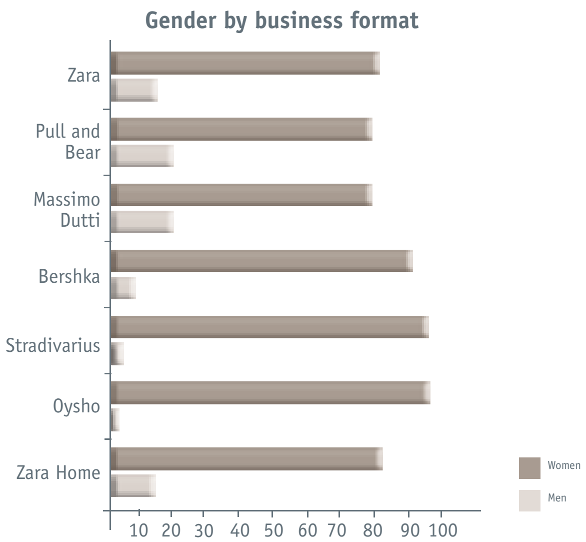
Company	Country of Origin
1.- General Electric	USA
2.- Procter & Gamble	USA
3.- Nokia	Finland
4.- Hindustan Unilever	India
5.- Capital One Financial	USA
6.- General Mills	USA
7.- McKinsey	USA
8.- IBM	USA
9.- BBVA	Spain
10.- Infosys Technologies	India
11.- Inditex	Spain
12.- Medtronic	USA
13.- Eli Lilly	USA
14.- McDonald's	USA
15.- Whirlpool	USA

Equality and diversity

At Inditex, men and women compete equally for opportunities in the recruitment processes, and apply for internal promotion based on the same criteria of assessment and development.

The Inditex Group staff is made up of 81.1% women and 18.9% men.





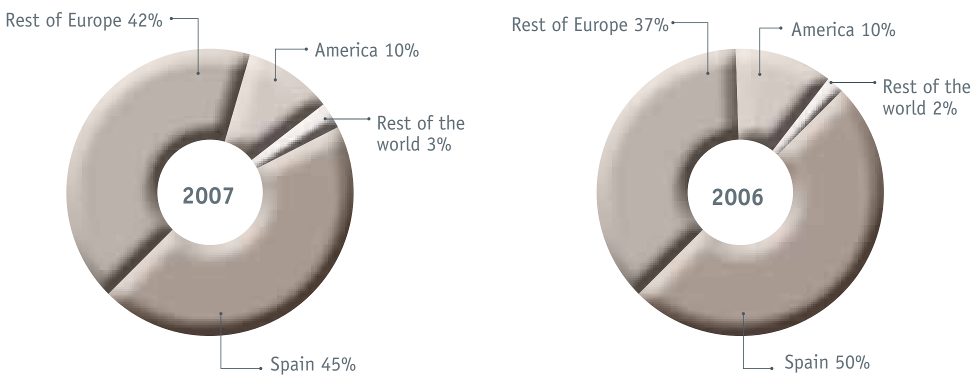
This commitment to equality both vertically and horizontally was ratified by a recent project *Equal Active Diversity,* co-financed by the European Commission and directed in its social responsibility actions by the Spanish Coordinator from the Women's European Lobby and Carolina Foundation which aims to promote the implantation of measures in companies that endeavour to reduce inequalities between men and women.

This project implies a mediation model of the factors affecting vertical diversity, understood as the presence of women in areas of responsibility. The aim is to analyse the relation between company social responsibility and the aforementioned vertical diversity. The framework of this project carried out an analysis on the situation in four of big Spanish companies, which included Inditex. The analysis concluded that Inditex has an unequivocal commitment to equality and non-discrimination. The presence of women at management level corresponds exactly to the percentage of women in employment force which constitutes a very postive figure in terms of vertical diversity.

Finally, the approval of a performance protocol against possible gender discrimination and sexual harassment by the Group's management should be highlighted. In this protocol any employee may begin an internal investigation procedure with the aim of establishing the facts and deal with any possible responsibilities.

Inditex is a multicultural company with employees of 140 nationalities present in 68 countries (36 subsidiaries) where there is a real commitment and respect for diversity. For the first time in the history of the company, the international employee base is greater than the one operating in Spain. The growing implantation in markets outside Spain has lead to an increase in the percentage of employees in the external markets of 50% to 55%.

Employees by geographical area



The result of activity growth in European markets means that the employee figure has surpassed 1,000 in ten European markets. On the American continent, the subsidiaries in Mexico, the USA and Brazil also have teams of more than 1,000 people. The two markets in the Asia-Pacific region where Inditex manages its operations directly, Japan and China, also have a staff of more than 1,000 employees.

Employees per country

Country	2007	2006	% variation 07/06
Europe			
Germany	2,619	2,273	15.20%
Austria	466	410	13.66%
Belgium	942	878	7.29%
Croatia	115	-	-
Denmark	155	155	-
Slovakia	84	-	-
Spain	37,776	34,742	9.03%
France	4,899	4,036	21.37%
Greece	2,600	2,487	4.54%
Holland	579	466	24.14%
Hungary	191	174	9.48%
Ireland	634	610	3.85%
Italy	4,120	2,897	42.22%
Luxembourg	72	66	9.09%
Monaco	30	28	7.14%
Norway	131	115	13.91%
Poland	1,055	751	40.48%
Portugal	4,865	4,694	3.64%
UK	3,024	2,535	19.29%
Czech Republic	310	276	12.14%
Romania	119	-	-
Russia	2,030	1,159	75.11%
Sweden	403	356	13.06%
Switzerland	453	373	21.45%
Turkey	1,690	1,116	51.39%
Total	**69,466**	**60,597**	**14.63%**

Country	2007	2006	% variation 07/06
America			
Argentina	465	407	14.13%
Brazil	1,063	851	24.85%
Canada	747	652	14.57%
Chile	620	380	63.03%
USA	1,427	998	43.01%
Mexico	3,437	3,064	12.17%
Puerto Rico	96	63	52.07%
Uruguay	167	167	-
Total	**8,022**	**7,285***	**10.10%**

(*) In 2006 the employees of the Venezuelan subsidiary were counted, franchised during 2007.

Country	2007	2006	% variation 07/06
Asia-Pacific			
China	964	498	**93.47%**
Japan	1,015	861	**18.23%**
Total	**2,033**	**1,359**	**49.52%**

	2007	2006	% variation 07/06
Total Inditex staff	**79,517**	**69,240**	**14.84%**

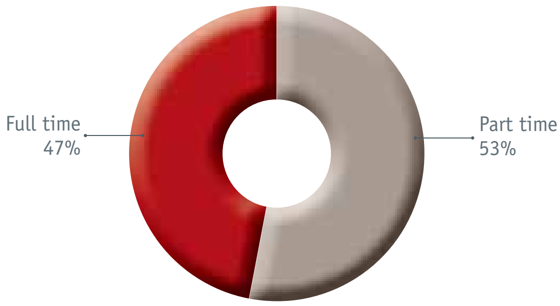
Labour policy

One of the main characteristics of the Inditex business model is the flexibility of all the processes, a value that is still reflected in the human resource policy. The Group makes the employment of different social groups possible.

In this manner, the needs of full-time employment and part-time employment are combined. This is especially aimed at students and personnel who must reconcile family and work life.

Currently, 53% of the work force of the group avail themselves of part-time schedules, as opposed to 47% who work full-time.

Employees per type of working day, up to 31 January 2008



Over the financial year there has been greater investigation into the reconciliation of work and family life like, the protection of pregnant and nursing women, the prevention of accidents in the work during pregnancy, compatibility of part-time work and caring for younger children and older dependent people or extended periods of leave for the same reasons.

An inherent aspect in the philosophy of the Group in all areas is the development of a policy linked with the reality of the business. In association with this, part of the variable salary the store employees receive is linked with sales. In the same way, part of the salary for logistics and production employees is linked with productivity. A large number of jobs in the subsidiaries and chains also have a variable percentage to their salary.

Staffing costs

The development of staffing costs in the previous financial years:

Staffing costs (in thousands of euros)	**2007**	**2006**	**Var. 07/06**
Fixed and variable salaries	**1,193,677**	1,019,641	17.1%
Social security contributions by Inditex	**279,223**	231,204	20.0%
Total staffing costs	**1,472,900**	**1,250,845**	**17.7%**

Risk prevention

The prevention of accidents at work during the financial year of 2007 was distinguished by the integration of an accident prevention project into the organisational structure of the company, during which personnel in all business areas, and especially in human resources, received the necessary training to make their work area a safer, healthier place.

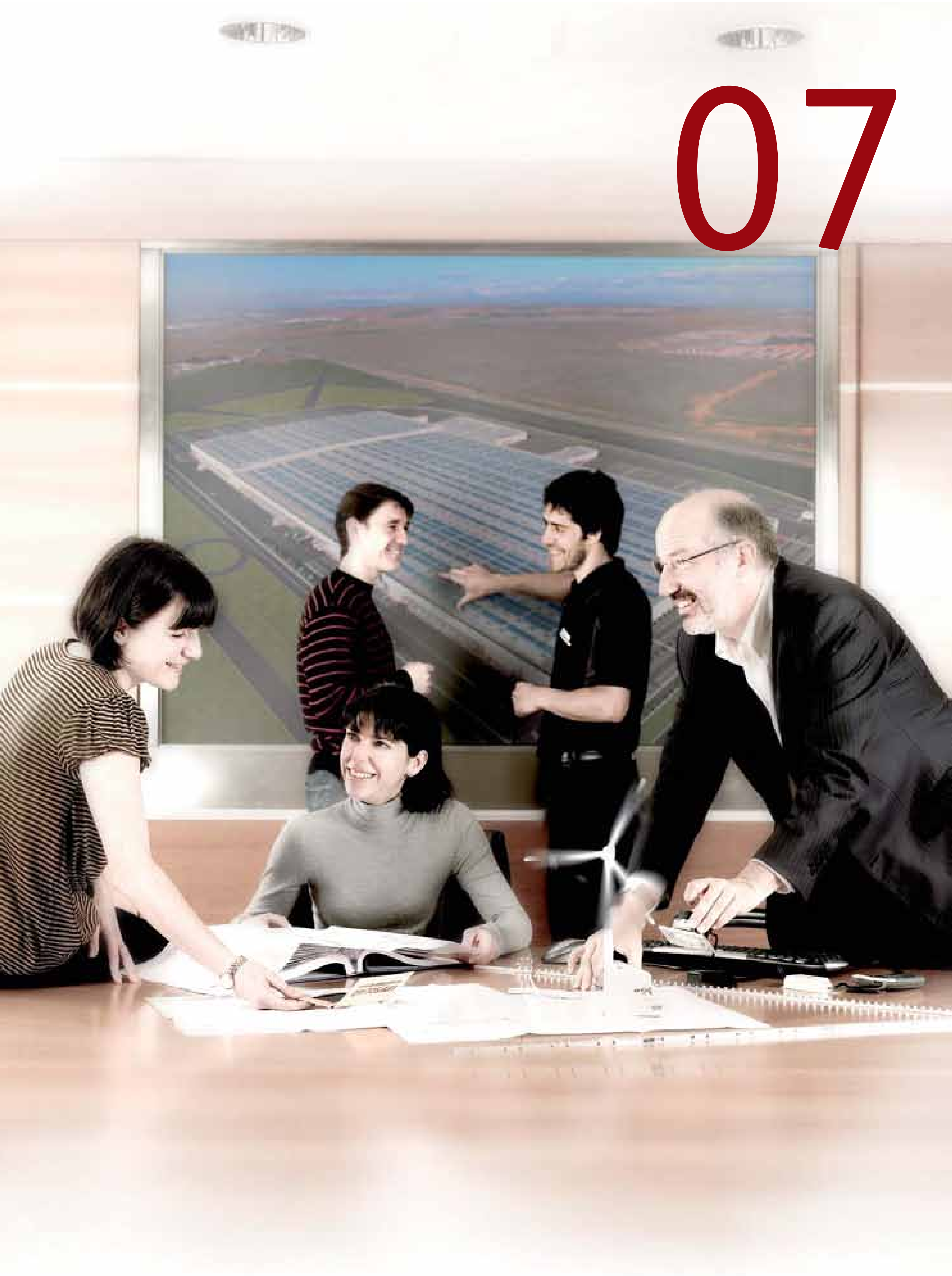
The development of an on-line worldwide support should be given special mention. This provides access for all employees to introductory and periodical training on the possible risks inherent to their work place, how to avoid them and possible corrective actions.

The concern demonstrated by the Group for a healthy work environment was recognised by the PREVER 2007 award from the Industrial and Scientific Work Relations General Council and the Regional Government of Galicia.

Social dialogue

Social dialogue and respect for the freedom of labour unions have a preferential position in the Group's social policy. During the financial year, the renovation of the Labour Conditions Collective Agreements was processed both in the logistics area and in manufacturing in Arteixo and Ferrol. The closure of similar agreements in other logistics centres belonging to the Group is foreseen in 2008.

07



Inditex´s Environment team.

How does it ensure sustainability

Inditex is a company with a global dimension, this means that its activity is developing in a worldwide geographical environment and that its processes also have implications in the numerous economic, social and environmental areas. Aware of this aspect, Inditex works to reconcile its economic growth with respect for the different social settings and the protection of the environment.

In the last years, Inditex's commitment to the environment has manifested itself in numerous initiatives and projects that have allowed for the construction and consolidation of an effective Environmental Management System, adapted to the demands of the business model, that allows Inditex to guarantee compliance to legislation and continued improvement. The Environmental Management System periodically evaluates the potential impact Inditex may have on biodiversity and the natural environment.

At the close of 2007, Inditex can guarantee that its activities and installations do not impact on biodiversity, either in protected or restored habitats. Nor do they have any affect on lands surrounding natural protected areas or on protected species including the red list of the *International Union for the Conservation of Nature and Natural Resources* (www.iucn.org).

Commitments

The following commitments have been drafted in Inditex's 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, sub-contractors 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 with the authorities, local communities and agencies.

(*) These principles apply to all of Inditex's companies and work centres, being 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, as well as in the head offices and logistics centres of the Zara and Zara Home in Arteixo; Pull and Bear in Narón; Massimo Dutti, Bershka, Oysho and Kettering in Tordera; Stradivarius in Sallent de Llobregat, Tempe en Elche and in the logistic centres in Zaragoza and all of the logistic centres in Leon, all the foregoing in Spain.

Step already taken...

The acts carried out so far by the company have been directed towards:

- The reduction of CO_2 emissions.

- The development of more efficient energy saving practices.

- Communication with the employees.

Environmental Management System Tools

The Environmental Management System was the instigator and driving force of initiatives that the Group has been incorporating in the last years to their production processes. The following are the most significant:

- A software was developed for the on-line management of environmental indicators.

- Every week, a systematic combination of independent internal and external audits is carried out on all industrial centres and chain head offices. A random evaluation process of environmental criteria is carried out in stores in Spain. In 2007 this was extended to the U.K., France, Germany and Italy and in 2008 it will extend progressively to all countries.

- The Waste Minimisation Plan and Package and Packaging Reduction Plan are still in force, marking new annual objectives.

- A certificate has been implemented by external independent entities, with an environmental management system compliant with the ISO 14001:2004 standard that reaches 100% of the industrial work centres (factories and logistics centres) and head offices. In 2007, the shoewear factory in Tempe en Elche (Alicante) was included. It is foreseen that in 2008 the Meco (Madrid) Logistic Platform will be incoporated.

- Environmental training will be given to all new personnel. In addition to the training, articles on sustainability will be communicated through the internal magazine.

- An environmental and eco-efficiency variable will be incorporated in the design phase of all new industrial development projects. This will evaluate these kinds of issues with the engineering department and carry out the control necessary for execution during the project.

- The Prevention and Control Programme will remain in force and will carry out regular analyses of the residual water spillages and of the emission centres in head offices, logistic centres and factories.

... and new challenges

The knowledge and results obtained over the past financial years are used as a basis for the new objectives. Furthermore, Inditex considers sustainable growth a strategic value. This is the departure point for the Strategic Environmental Plan 2007-2010 (SEP 2007-2010), presented to the shareholders in July 2007 during the General Shareholders Meeting. It encompasses new corporate commitments in relation to climate change:

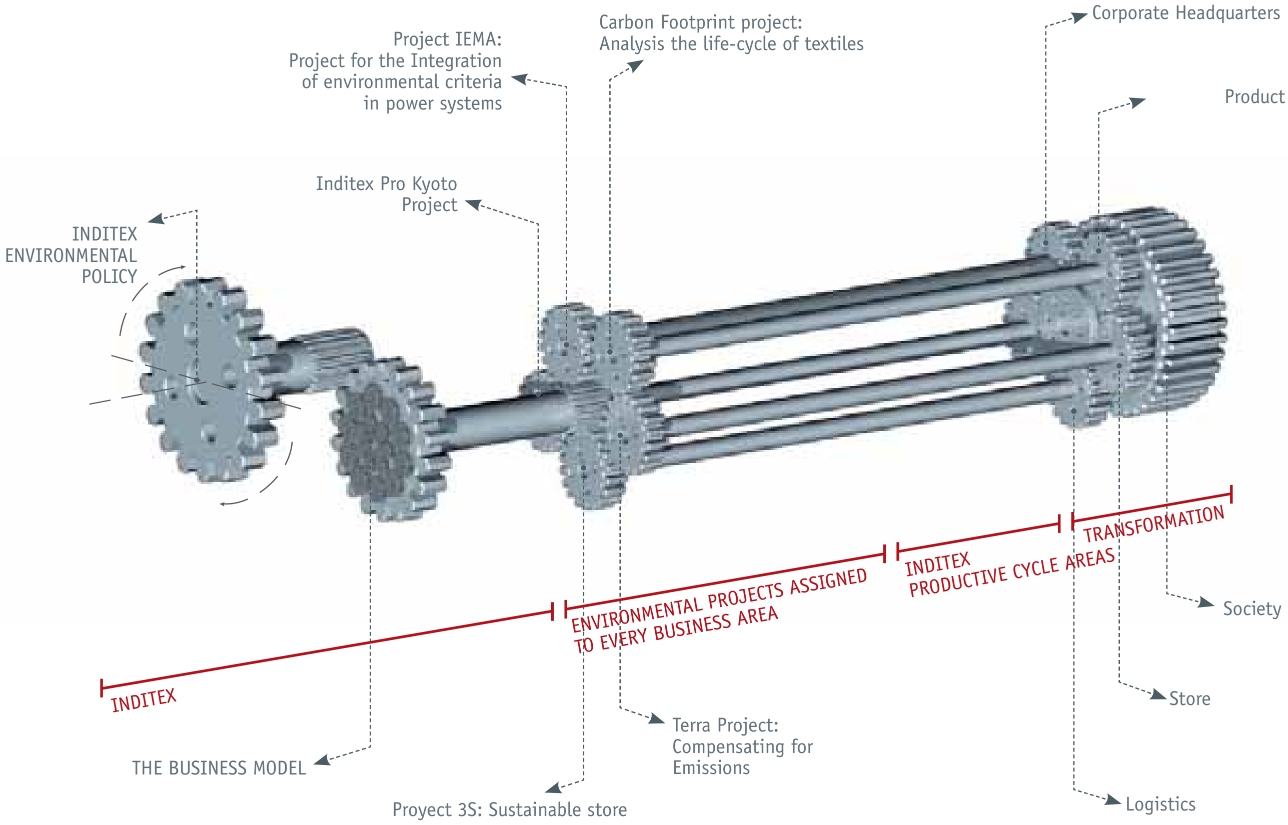
- To achieve a 50% of usage of renewable or high efficiency (trigeneration) energy sources in the logistics centres and chain headoffices.

- Reducing CO_2 emission by 20% associated with road distribution (in CO_2 tonnes per kilometre), based on the Group emissions in 2005.

- Reducing the electricity consumption by 20% in stores constructed from 2008 onwards, based on consumption in operative stores in 2005.

The aim of the new plan is to introduce the concept of sustainability to each and every one of the activities of the company. In order to do this, all areas included in the business model have been inspected in terms of ecological efficiency and the environment. The analysis highlighted areas in need of improvement and has established a plan to carry-out the objectives through five innovative projects.

Strategic Environmental Plan 2007-2010, innovation and sustainability



The key element for the development of this work has been personnel, both Inditex and external professionals. During the financial year of 2007, the best teams for developing the Strategic Environment Plan were formed, involving people with experience and motivation from all areas of the company: design, logistics, production, purchasing, finance, human resources. communications and maintenance. Their contributions formed a key part of designing and defining solutions from the point of view of integrating and sustaining the Inditex business model. To complete the work team, cooperative alliances were formed with qualified suppliers and universities.

At the close of the financial year, more than 50 organised personnel in 7 teams coordinated by the Department of the Environment are working to realise the projects defined in the Strategic Environmental Plan 2007-2010.

Development of the PEMA projects 2007-2010

Project	Impact Area	Description	Actions 2007:	Objectives 2008
IEMA: Project for the Integration of environmental criteria in power systems **1** Development on pg. 156-157	Central Headquarters, the chains, factories and logistic centres head offices	Integration of the variables of efficient energetic consumption, sources of renewable energies and atmospheric emissions in one single management model.	-Audits on energy currents in the industrial and logistic installations over three years old. -Installation of renewable energies in the logistics centres. -Substitution of natural gas for gasoil in the logistics centres in Sallent and Llobregat (Barcelona) and Arteixo (A Coruña). -Installation of a 2.5 megawatt cogeneration plant for self-serving electric and thermic energy production in the logistics centres of Tordera (Barcelona).	-Incorporation of energy efficiency criteria in the installations. -Inform personnel on the rational and efficient use of energy. -Increase the consumption of energy originating in renewable energy sources in the logistics centres.
Carbon footprint. Analysis of the Lifecycle of Textiles. **2** Development on pg. 158-159	Product	Analysis of the variables that affect the environment in the manufacturing of clothes in order to design a production evaluation tool with sustainable criteria.	- The development of a simplified analysis tool for textile manufacturing factories.	-Implement the tool in the factories belonging to the Group. -Development of a Life-cycle Analysis process for shoewear.
Inditex Inditex Pro Kyoto Project **3** Development on pg. 160-161	Transport and logistics	-Control and reduce the indirect greenhouse effect gas emissions (GEI) generated by transport -Develop compensation mechanisms for the emissions of GEI.	-Introduction of electric vehicles for personnel transport in the logistics platforms. -Inauguration of the Training and Awareness Plan.	- Ensure that all vehicles in the Zara service fleet fulfill the Euro5 regulation. - Train professional personnel in efficient driving practices. -Establish agreements with other logistics subcontractors for both road and air transport in order to study alternative routes that would imply a lower consumption of fuel and reduce emissions of CO_2.
3S: Sustainable store **4** Development on pg. 162-163	All the stores belonging to the Group	Integrate energy sustainability and efficiency criteria to all the Group's stores.	-Substition of conventional plastic bags for biodegradable plastic. -Reduction in the number of illumination hours for shop window displays . -Comprehensive management of waste material from the Zara España stores. -Installation of efficient lighting systems in new stores. -The design of a pilot store with ecoefficient criteria.	-Certification of paper bags with the aim of guaranteeing they are made from recycled material or that the raw material comes from sustained renewable forests. -Comprehensive management of waste material originating from the Zara España stores activities. -Promotion of rational use of water. -The design of a pilot store with ecoefficient criteria.
Terra. Compensation for emissions **5** Development on pg. 164	Society	Plant a huge expanse of forest to completely compensate for the CO_2 emissions from Inditex central services in Arteixo (A Coruña).	-Analysis of the location of the forest expanse and the tree variety.	-The creation of 400 metres of acoustic and visual barriers that absorb the sound of the factories and improve the countryside in the surrounding area in Sabón (Arteixo, Spain). -Creation of a huge expanse of forest with indigenous species to compensate for emissions of CO_2 originating from the Inditex central services activities.

The incorporation of renewable energies and energy efficiency plans in all our installations is the practical manifestation of our commitment to sustainability.

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.

1

Actions 2007

- Energetic audits carried out by an external entity. This allows an evaluation of the overall energy flow in the development of the industrial and logistics installations of over three years old. (Arteixo, Zaragoza, Tordera).

- The execution of renewable energy projects in the Meco, Zaragoza and Leon logistics centres. The aim is to cover more than 150,000 squared metres with photovoltaic solar panels. This provides electrical power of 10MV. The annual production is estimated at 12.5 kw/h/year (ratio based on the use of 1250 sunlight hours per year).

- Minimising the emissions by substituting carbon fuels (used in heating and in steam generation for ironing), changing gasoil consumption for natural gas in the logistic centres of Sallent de Llobregat (Barcelona) and Arteixo (A Coruña). This change will prevent the emission of 850 tons of CO_2 and other polluting gases.

- The installation of a 2.5 MW cogeneration plant for consumption on-site instead of electric and thermic energy in the Tordera (Barcelona) logistic centre. Trigeneration with natural gas (electricity, hot and cold water and steam) improves the efficiency of the electricity production process, since more than 4/5 of the energy from fuels is converted into usable energy, whereas only 1/3 is converted in conventional plants.

The energy integration project with environmental criteria

Objectives 2008

- The incorporation of energy efficiency criteria to the installations where they are being developed - the logistic centre of Palafolls (Barcelona), the expansion of the Zaragoza logistics centre, the expansion of the Meco (Madrid) logistics centre. Initiatives such as, insulation, centrally controlled air conditioning, efficient lighting and function programming.
- The modification of the management model to bring consumption control closer to the management who are involved in the processes and in cost control.
- Education of all personnel on the rational and efficient use of energy.
- Installation of renewable energies in the logistics centres.

ACVTEX Project

To analyse the main variables that influence the environment in the textile manufacturing of garments and design a simplified tool is being created that allows the homogenous evaluation of the production with sustainability criteria.

The analysis includes criteria on the effective consumption of productive resources, the use of poisonous substances in textiles, the management of waste material and the optimizing of the productive processes.

The project will be completed with the development of a software that allows the application of a simplified Life Cycle Analysis methodology in production. It is being developed in conjunction with the University of Santiago de Compostela.

2

ACVTEX Project

Actions 2007	Objectives 2008
• A simplified analysis tool is being developed during this financial year.	• This application will be introduced in all factory production.

Ecodesign Shoewear Project.

The aim of this project is to systematically incorporate environmental aspects into the design of the products with the objective of reducing its possible negative impact on the environment throughout its entire life-cycle. Nevertheless, this implies carrying out certain actions directed at improving the product environment in the initial design stage. By improving this function, the selection of non-toxic and recyclable material, the application of alternative processes, the improvement of transport and use and finally, minimizing impact on the final treatment stage, this will assist waste product reuse and recycling.

Analysis of The Lifecycle of Textiles. The carbon footprint of fabrics

Ecodesign Shoewear Project.

Actions 2007

- Definition of the beginnings of the project and the development of the work plan.

Objectives 2008

- Project Introduction and implantation.
- Study of materials used in the production of shoewear and the possible risk to the environment.
- Proposal for a variety of product alternatives based on eco-design criteria, taking the results of the risk analysis into account. The aim is to identify the most respectful materials to the environment.
- Development of a Life-cycle Analysis process for shoewear.

This is the implementation of our commitment to sustainability, climate change and the Kyoto protocol, in the area of transport and logistics. The aim is to improve personnel mobility practices all over the world. This is why Good Transport Practice and Sustainable Mobility Manuals are being developed. These manuals have been integrated into the corporate training programmes. Given the relevance of logistic operations in the Inditex business model, this project sets out:

- To monitor and reduce indirect emissions of greenhouse gasses generated by out logistical and distribution activity, in conjunction with our sub-contractors.
- Reduce the levels of GEI emissions associated with the movement of personnel.
- Develop compensation mechanisms for the emissions of GEI.

Actions 2007

- Introduction of electric vehicles for service and maintenance personnel transport in the logistics platforms.
- Inauguration of the Training and Awareness Plan.

Objectives 2008

- Compliance with the Euro 5 regulation (the most demanding in requirements for emissions of NOx, HC, CO particles and smoke) for all vehicles in the transport fleet servicing Zara.
- Give training courses on efficient driving to reduce fuel consumption by between 7% and 10% depending on the routes.
- Establish agreements with the rest of the logistic sub-contractors for both road and airplane transport to introduce alternative routes that may lead to lower consumption of carbon fuel and transport alternatives to make distribution more efficient thereby achieving a significant reduction of CO_2 emissions.
- To provide an Environmental Training and Awareness Programme for all personnel.

Inditex Pro Kyoto Project

Electrically propelled vehicles

Inditex's commitment to the Kyoto Protocol to arrest climate change has also reflected on internal transport in the logistic centres. Since May 2007, the factories and the logistics centre in Arteixo (A Coruña) have introduced a fleet of electrically propelled motorcycles for personnel in charge of maintenance. These vehicles substitute conventional petrol-based transport. This not only improves the quality of the work area environment, it also contributes to reducing the Greenhouse Effect Gases (GEI) emissions produced by this activity.

The stores are the heart of the Inditex business and where most of the Group's energy is consumed which is the reason why they are the focus of one of the most relevant projects. The Sustainable Store Project undertakes incorporating energy sustainability and efficiency criteria throughout the entire business network, with the following objectives:

- To educate and create awareness amongst the store personnel that their workplace is included in the Inditex environmental management model.
- Optimize environmental management costs in the stores.
- Include the chain of sub-contractors (cleaning, maintenance) in the environmental commitment.
- Guarantee that the Sustainability Framework Directive indicators are obtained.

4

Actions 2007

- Substition of conventional plastic bags for biodegradable plastic.
- Collaboration agreements with the Universities of A Coruña, Santiago de Compostela, and Vigo to design the pilot stores where energy efficiency will be optimized. Modification of the design criteria, selecting the most efficient lighting systems that reduce energy and material consumption. These are already being applied in newly opened stores.
- The reduction in the number of hours of display lighting in the shop windows, a saving estimated at 10% of the energy consumption and in indirect emissions.
- Comprehensive management of waste material originating from the Zara España stores activities by authorised management consultancies.
- Reduction of temperature variation in the stores.
- Environmental training for all store personnel.

Objectives 2008

- Certification of paper bags guaranteeing they are made from recycled material or that the raw material comes from sustained renewable forests.
- Comprehensive management of waste material originating from the Zara España stores activities by authorised management consultancies.
- Promotion of the rational use of water by the store personnel.
- Creation of a pilot store that incorporates ecoefficient criteria into its design.

Sustainable Store Project

Plastic bags ecological

The sustainable store is one of the most important projects that Inditex has initiated. It is not only important that the store is a key element in the Inditex business model but also that it involves the customer by including their participation in the company's commitment to the environment.

The measures incorporated into this project in 2007 have culminated in a qualitative advance for Inditex. From this financial year on, the plastic bags distributed in the Group's stores will be made with 'd2w'. These bags contain an additive that makes them degradable, accelerating the total decomposition process in a natural way over an average period of one to two years as opposed to more than 400 for conventional plastic. The initiative has also been extended to other parts of the company, such as the internal magazine that incorporates the 'd2w' additive in its packaging.

Advantages of degradable plastic:

- It reduces the degradation time.
- It turns into water, carbon dioxide and biomass.
- It doesn´t need to be buried to biodegrade.
- It needs less raw materials for its production.
- It retains the properties of conventional plastic like being resistant and waterproof.

All the plastic bags used in Inditex chains bear the 'd2w' certification stamp. During the 2008 financial year, the Group's aim is to introduce the use of certified ecological paper to the paper bags.

The aim of the Terra project is to plant a huge expanse of forest to compensate 100% for the CO_2 emissions from Inditex central services in Arteixo (A Coruña).

5 Terra Project

Actions 2007

It is projected that the forested areas will be planted with indigenous species with a high genetic value. The plantation will be carried out in Galicia.

Objectives 2008

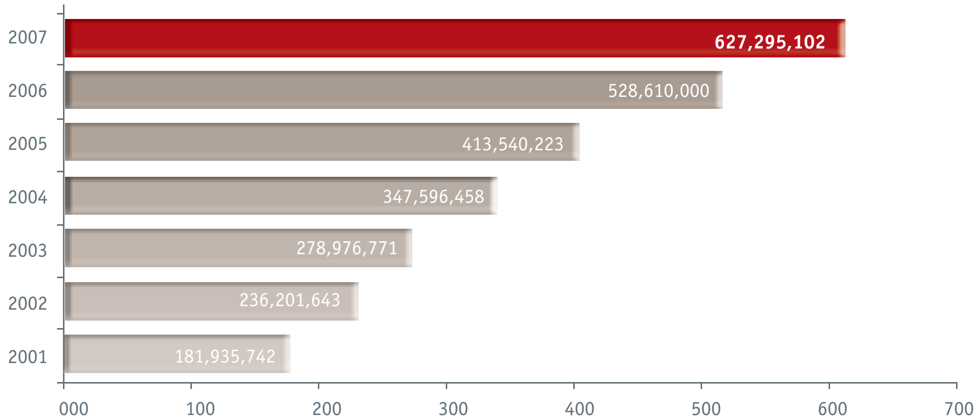
- The creation of 400 metres of acoustic and visual barriers that will dampen the sounds generated from the Group's factories and improve the surrounding countryside where they are located.

- The creation of a huge expanse of forest with indigenous species to compensate for emissions of CO_2 originating from the Inditex central services activities.

Indicator system

The data from the environmental indicator system are given in absolute and relative terms, which allows for an appropriate measurement of Inditex's impact on the environment. Given the company's growth, the relative indicators allow the evaluation of Inditex's environmental efficiency, relating the increase or the reduction of the environmental impact to each garment released to the market.

Number of garments released 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.

Energy consumption and atmopheric emissions

The energy supply system has a significant number of self-serving sources (cogeneration plants and boilers for factories and logistics centres). Inditex carries out exhaustive controls on the emissions of these and is developing a minimization and energy efficiency plan. Within this plan the most prominent factor is the substitution of conventional energy for renewable energy and natural gas. This will lead to a significant decrease in emissions.

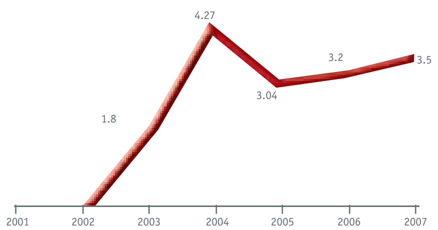
With respect to external generation sources (electric network), that mainly supplies stores, the electric system will not allow source inspection, therefore the emission data is estimated.

Energy consumption indicators

Annual changes in energetic consumption

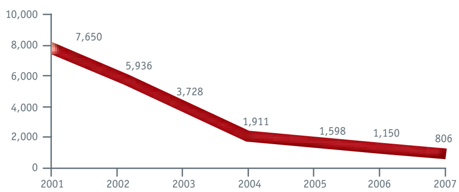
Increased public network consumption is due to the increase in the number of stores.

Renewable energies (in millions of Kwh)



Natural gas consumption (Tep)[1]

Gasoil consumption (Tep)[1]



(1) 1 equivalent tonne of gasoil (tep)= 41.868 GJ 103 m³ natural gas = 0.9315 tep 1 tonne gasoil = 1.035 tep

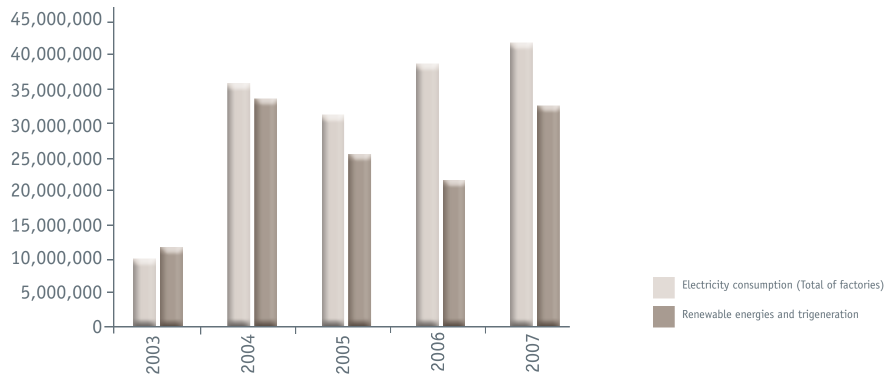
Electricity consumption

The analysis of the energy consumption profiles in the work centres allowed us to undertake an important commitment to renewable energies which implies a huge qualitative jump on a sectoral level.

Industrial Centres (Central head offices and factories)

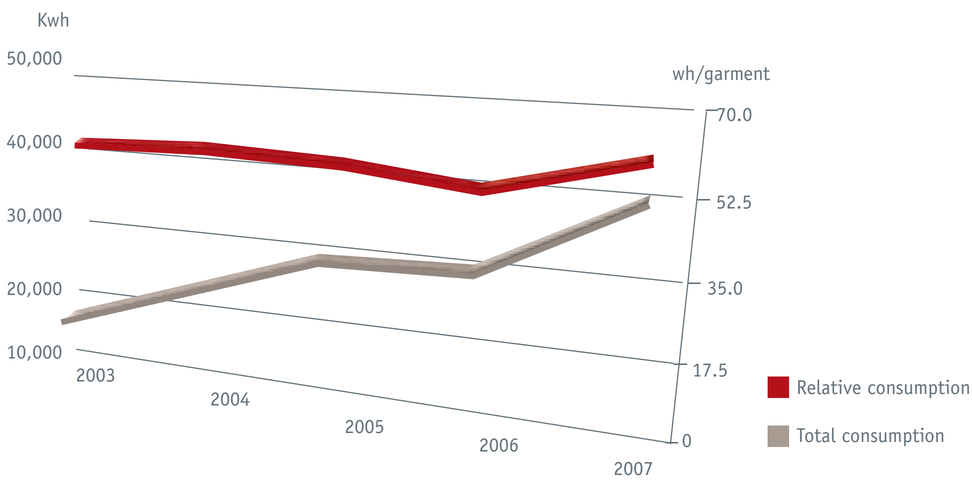
In this manner, we have established an agreement that 50% of the energy consumed in our industrial centres comes from renewable energy sources and efficient sources, like trigeneration (electricity, cold and hot water and steam) before 2012.

The comparative between renewable energy generated and electrical energy consumed as opposed to renewable in our industrial centres demonstrates the following evolution:



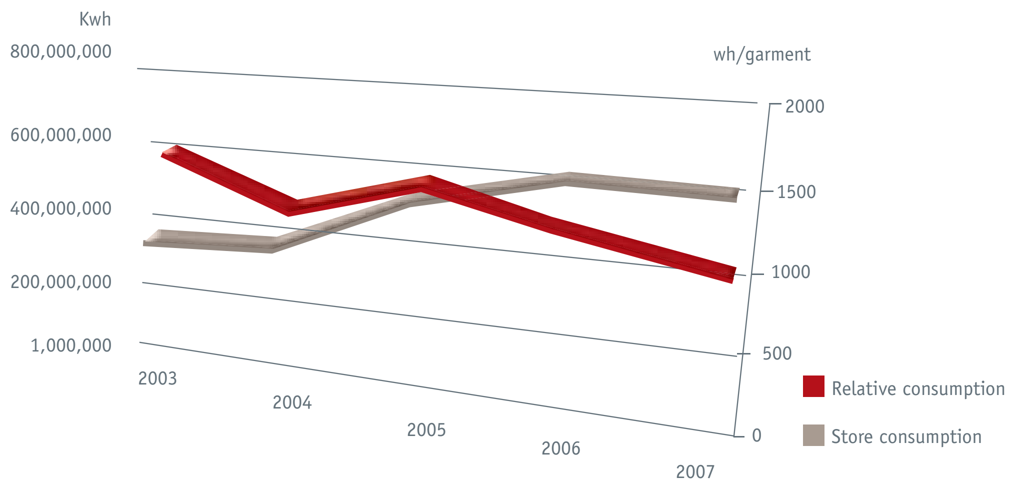
Logistic centres

All the garments manufactured by Inditex are distributed from the logistic centres in Spain. We have proposed reducing electricity consumption per garment by 20% in these centres, based on consumption in 2003 and using the consumed watts per mobilised garment (wh/garment) as a gauge.



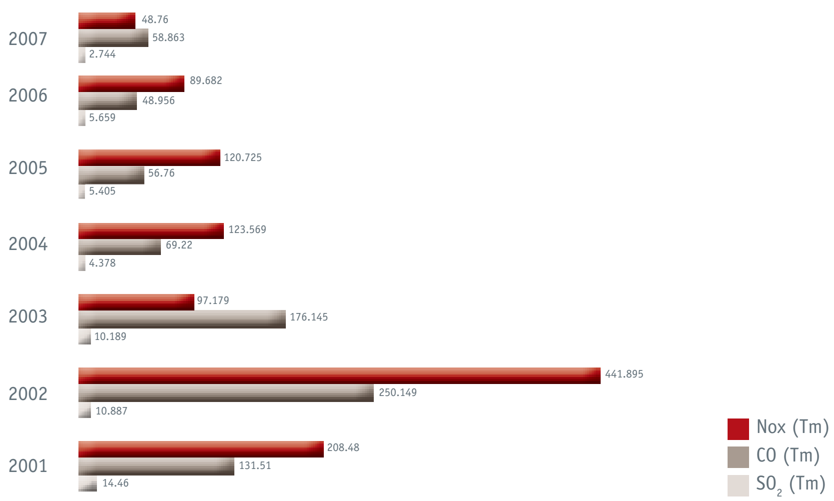
Stores

We also apply our energetic projects to our stores. Our objective is to reduce electric consumption per garment by 20% before 2020.

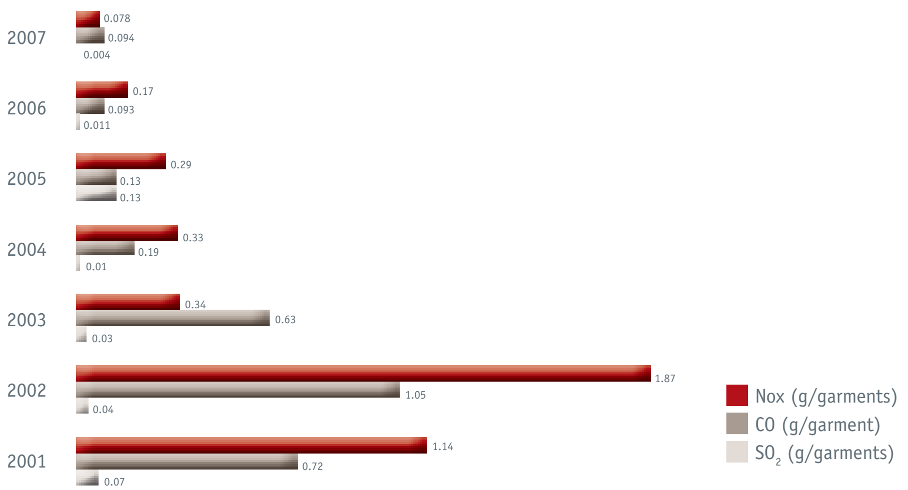


Annual evolution of atmospheric emissions in manufacturing and logistics centres

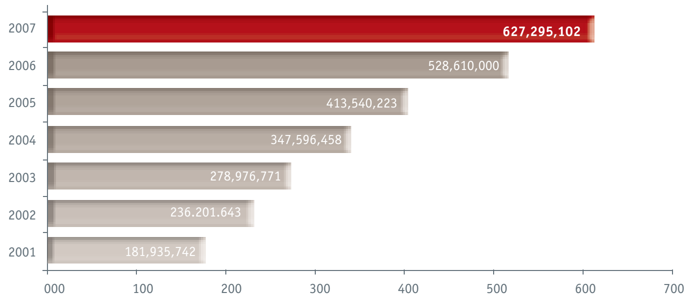
Evolution of emissions in absolute terms



Evolution of emissions in absolute terms



Number of garments released on the market.

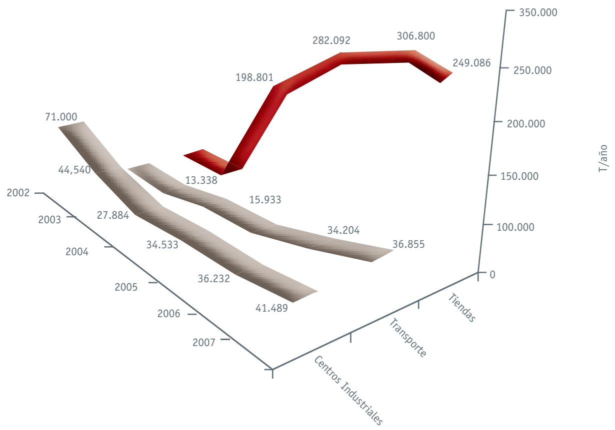


This includes, the central headquarters, all Inditex factories, the head offices and the logistics centres belonging to all the chains. All emission sources undergo strict and frequent controls by an authorised inspection company, each in accordance with the parameters established by legislation in force.

Emission of Greenhouse Effect Gases

The data related to the emissions of industrial centres and stores are obtained from the emissions equivalent to the electricity consumption. The data on emissions associated with distribution operations transport is calculated in relation to the kilometres covered, including road and air transport, in addition to long-distance trips and estimating the emissions in accordance with the accepted international criteria.

Emissions CO_2

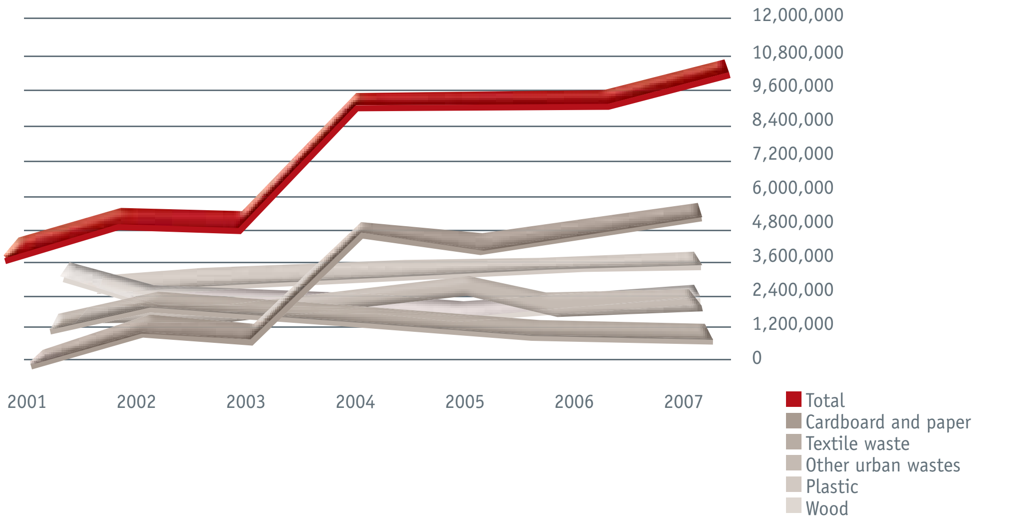


Item	Tm CO_2
Industrial Centres:	
Natural gas consumption	19,739
Propane consumption	25
Gas-oil consumption	2,475
Electricity consumption	19,250
Subtotal	41,489
Transport:	
Emissions	36,855
Stores:	
Electricity consumption in stores	249,086
Total	**327,430**

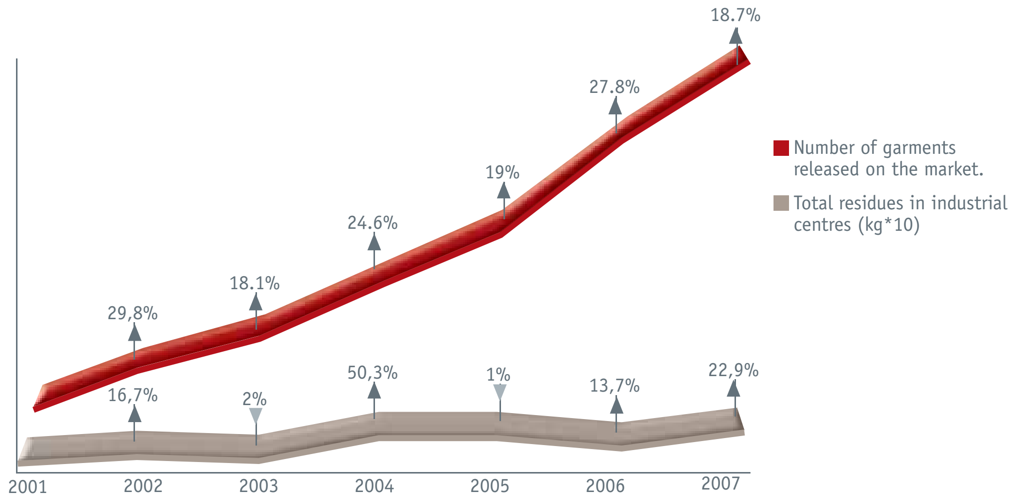
Waste indicators

The efforts of the Waste Minimisation Plan during 2003, led to an arrest in the growth tendency (waste generation data in December 2007).

Evolution of industrial waste generation (kg)



Comparative on the increase in the number of garments released to the market compared to the increase in the generation of industrial waste.

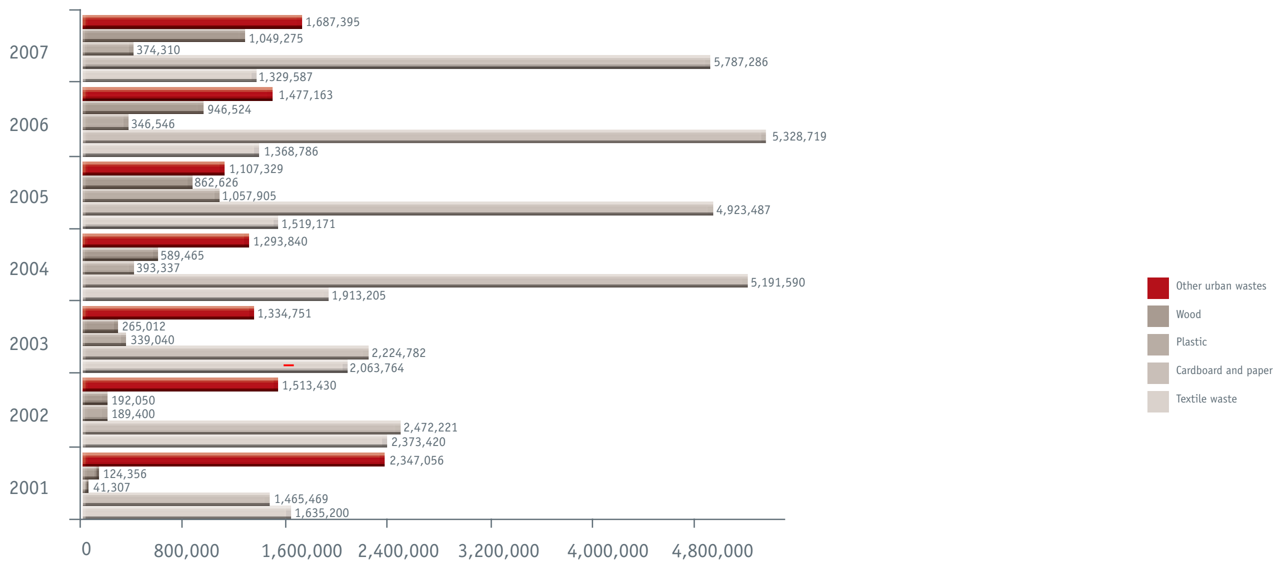


Increase in the number of garments released on the market (2002-2007): 165.58%
Increase in the generation of industrial residues (2002-2007): 60.90%

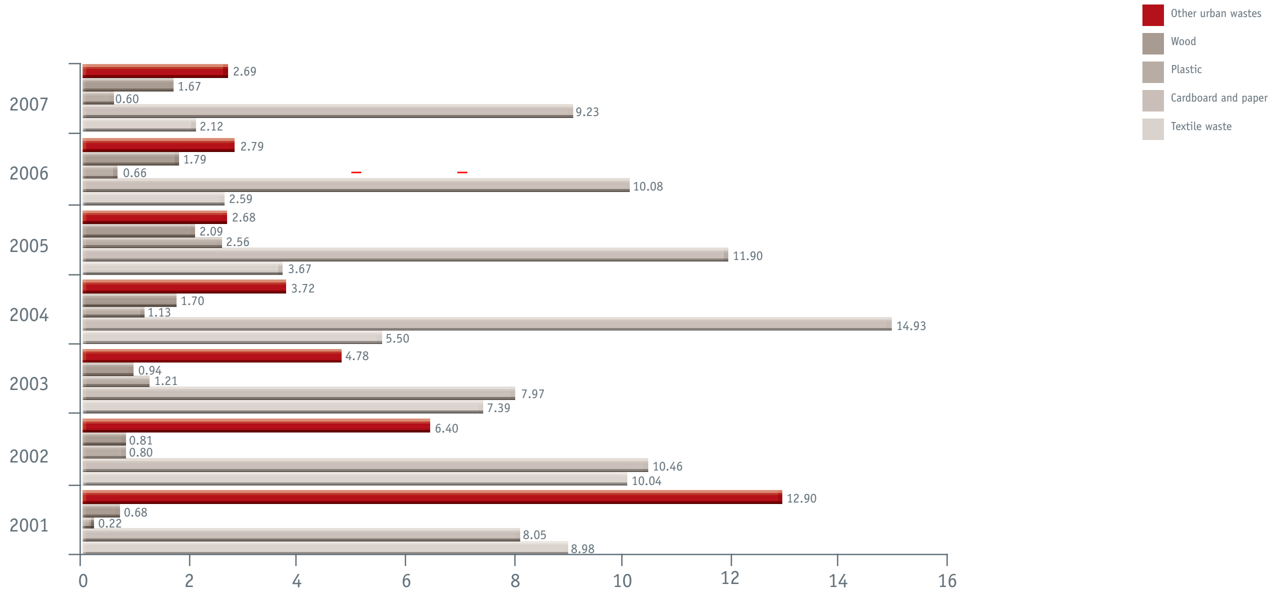
Annual generation of urban waste or similars (data on the 31st of December 2007)

The waste is classified in accordance with the European Waste Catalogue (EWC) and its transposition into national and regional legislation.

Absolute data (kg)

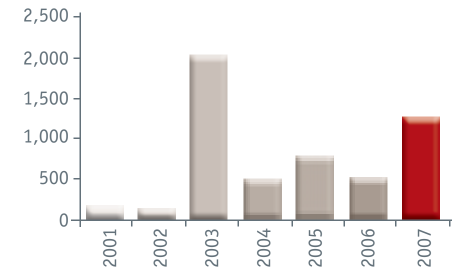


Relative data relative to the no. of manufactured garments (Kg/thou.garments)

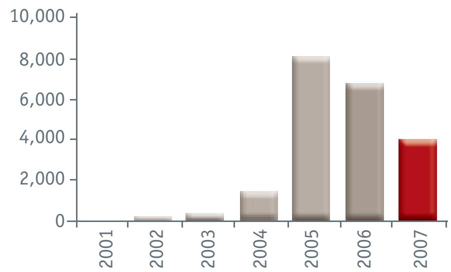


Annual generation of dangerous waste (data on the 31st of December 2007)

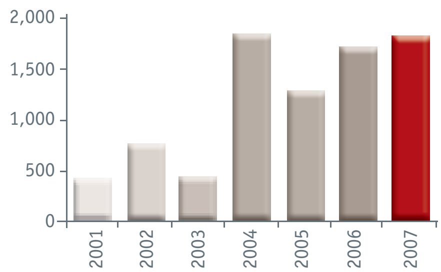
Batteries(Kg)



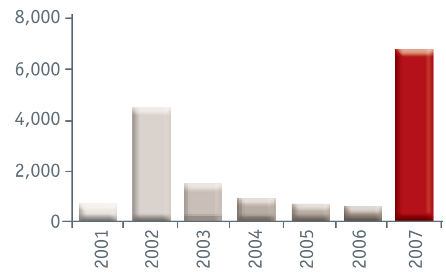
Office waste (Kg)



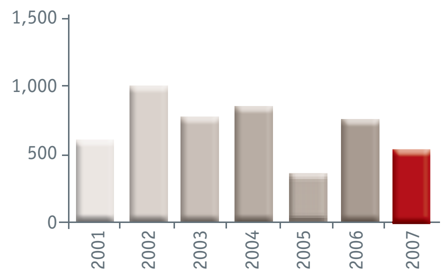
Fluorescents (Kg)



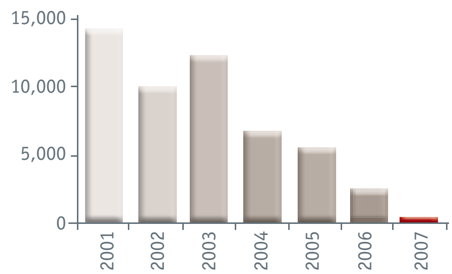
Oil filters (Kg)



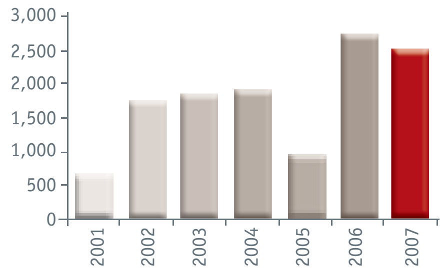
Contaminating metallic packaging (Kg)



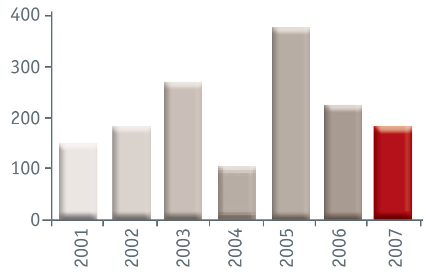
Used mineral oil (Kg)



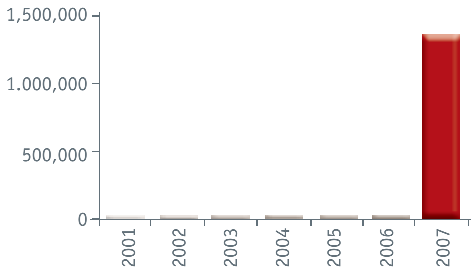
Contaminant absorbents (kg)



Paint (Kg)

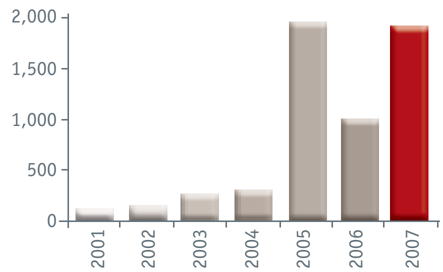


Alarms



(*) Since FY2007, the alarms in the garments are for a single use, after which are recycled.

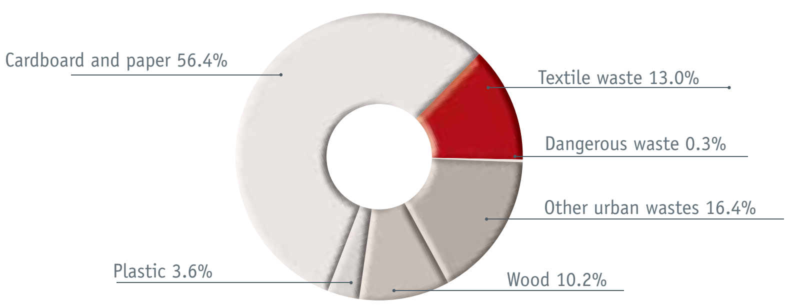
Contaminated plastic packaging



Waste allocation according to its type and treatment

The final step in the Waste Minisation Plan is recycling. All waste is sent, according to its nature, to recycling plants, composting , treatment or an authorised management agency.

Proportion of generated waste

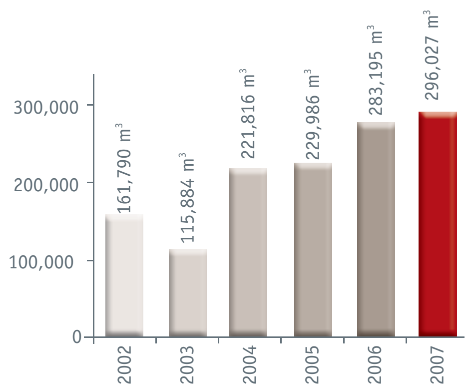


With respect to the recuperation of products released on the market, it not possible to evaluate the generated volume and its management on a worldwide level, given that there is no collection system or specific management for textile materials at the moment.

The packaging materials released to the market (cardboard and plastic bags, labels, protective elements) associated with the commercialisation of products by Inditex, are at least 80% appropriately. Inditex adheres to the available Integrated Management Systems for Packaging and Wrapping in every country in which it operates. The commitment to these systmes means that each Inditex chain pays a management agency whatever it costs to collect and manage the waste generated by the stores. This management agency, is established with the recognition of the authorities of each country (in Spain, Ecoembes) to ensure that the waste generated by the stores is collected, managed and appropriately recycled.

Consumption and use of water

In the case of factories and logistics centres, the water consumption data are 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 stores.



2002-2003: Consumption in logistics centres(m^3)
2004-2007: Consumption in logistics centres and stores (m^3)

Most of the water consumption is in the commercial network, in domestic use - mainly, cleaning and consumption. For this reason it is impossible to recycle it. In the area of industrial activities, water is mainly needed for generating steam and for industrial refrigeration in a closed cycle, where recirculatory systems are used. Spillages are not significant enough to include in recycling processes.

Wastewater from all of our sites is dumped into sewage systems, with the relevant administrative authorisation in all cases. 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.

Inditex´s headquarters in Arteixo, A Coruña (Spain)

Economic and Financial Report

Inditex Group consolidated annual accounts 31 January 2008*

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

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

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 2008, the consolidated statements of income, cash flows 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 2008 also include, for each individual caption in the consolidated balance sheet, the consolidated statements of income, cash flows and changes in equity for the year then ended and the notes thereto, comparative figures for the year ended 31 January 2007. We express our opinion solely on the consolidated annual accounts for the year ended 31 January 2008. On 23 March 2007 we issued our unqualified audit report on the consolidated annual accounts for the year ended 31 January 2007.

In our opinion, these consolidated annual accounts for the year ended 31 January 2008 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 2008 and the consolidated results of their operations, consolidated cash flows and changes in 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 2007.

The accompanying consolidated directors' report for the year ended 31 January 2008 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 2008. 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.

KPMG Auditores, S.L.

Signed:

Enrique Asla García

2 April 2008

1 Consolidated income statement

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

(in thousands of euros)	**(Notes)**	**31-01-08**	**31-01-07**
Net sales	(2)	9,434,670	8,196,265
Cost of merchandise	(3)	(4,085,959)	(3,589,276)
Gross profit		5,348,711	4,606,989
		56.7%	56.2%
Operating expenses			
Other net operating expenses and income	(4)	(3,226,369)	(2,800,243)
Operating profit (EBITDA)	(5)	26,501	(17,060)
		2,148,843	1,789,686
Amortization and depreciation			
Operating profit (EBIT)	(11,12,13)	(496,663)	(433,427)
		1,652,180	1,356,259
Financial results			
Equity accounting losses	(6)	964	(14,035)
Income before taxes	(16)	(7,508)	(2,786)
		1,645,636	1,339,438
Income tax			
Net income	(23)	(387,872)	(329,502)
		1,257,764	1,009,936
Minorities			
Net income attributable to minority interest		7,495	8,396
		1,250,269	1,001,540
Earnings per share, cents	(7)	201.4	161.3

2 Consolidated balance sheets

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

(in thousands of euros)	(notes)	31-01-08	31-01-07
Assets			
Current assets		**2,981,595**	**2,148,332**
Cash and cash equivalents	(19)	1,465,835	906,148
Receivables	(9)	463,716	363,635
Inventories	(10)	1,007,213	823,903
Income tax receivable	(23)	1,719	20,870
Other current assets		43,112	33,776
Non-current assets		**4,124,007**	**3,593,830**
Property, plant and equipment	(11)	3,182,112	2,788,816
Investment property	(12)	9,475	11,851
Rights over leased assets	(13)	504,604	454,196
Other intangible assets	(13)	13,344	15,220
Goodwill	(14)	125,583	98,992
Financial investments	(15)	36,174	33,375
Investments in associates	(16)	-	4,446
Deferred tax assets	(23)	133,020	88,851
Other	(17)	119,695	98,083
Total assets		**7,105,602**	**5,742,162**
Liabilities			
Current liabilities		**2,458,067**	**1,884,741**
Trade and other payables	(18)	1,975,251	1,618,825
Financial debt	(19)	371,276	145,077
Income tax payable	(23)	111,540	120,839
Non-current liabilities		**430,484**	**386,817**
Financial debt	(19)	42,358	47,314
Deferred tax liabilities	(23)	110,957	104,319
Provisions	(20)	47,681	45,114
Other non-current liabilities	(21)	229,488	190,070
Equity		**4,217,051**	**3,470,604**
Net equity attributable to the parent		4,193,129	3,448,377
Net equity attributable to minority interest		23,922	22,227
Total equity and liabilities		**7,105,602**	**5,742,162**

3 Consolidated statement of cash flows

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

(in thousands of euros)	2007	2006
Income before taxes and minority interest	**1,645,636**	**1,339,438**
Adjustments to income		
Amortization and depreciation	496,663	433,427
Income tax	(387,872)	(329,502)
Deferred tax assets and liabilities	(38,465)	(13,285)
Foreign exchange translation differences	1,837	271
Other	39,338	61,335
Cash flows generated	**1,757,137**	**1,491,684**
Variation in assets and liabilities		
Inventories	(197,485)	(135,457)
Receivables and other current assets	(87,608)	(51,312)
Current payables	345,408	92,426
Operating working capital	**60,315**	**(94,344)**
Cash flows from operations	**1,817,452**	**1,397,340**
Acquisition of intangible assets	(87,967)	(79,101)
Acquisition of property, plant and equipment	(850,109)	(783,598)
Acquisition of subsidiaries	(7,147)	(28,688)
Acquisition of other financial investments	(10,307)	(6,114)
Other investments	(26,572)	(16,094)
Proceeds from sales of assets and collections of other non-current assets	9,536	26,560
Disposals of entities	30,712	-
Cash flows from investing activities	**(941,854)**	**(887,035)**
Variation in non-current financial debt	(16,513)	(28,226)
Variation in non-current non-financial debt	15,763	(67,143)
Variation in current financial debt	214,514	(64,115)
Dividends	(521,591)	(417,632)
Other financing activities	518	-
Cash flows used in financing activities	**(307,308)**	**(577,116)**
Net (decrease) increase in cash and cash equivalents	568,290	(66,810)
Effect of exchange rate fluctuations on cash and cash equivalents	(8,603)	(15,446)
Cash and cash equivalents at opening date	906,148	988,405
Cash and cash equivalents at closing date	**1,465,835**	**906,148**

4 Consolidated statement of changes in equity

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

	Equity attributable to the parent								
(in thousands of euros)	Capital	Share premium	Retained earnings	Translation differences	Treasury shares	Other reserves	Equity attributable to the parent	Minority interest	Equity
Balance at 01/02/2006	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**
Effect of movement in foreign exchange	-	-	-	(52,338)	-	-	**(52,338)**	-	**(52,338)**
Restatement due to inflation	-	-	-	-	-	-	**-**	117	**117**
Net income recognized directly in equity	-	-	**21,021**	**(55,430)**	-	-	**(34,409)**	**117**	**(34,292)**
Profit for the year	-	-	1,001,540	-	-	-	**1,001,540**	8,396	**1,009,936**
Total net income recognized directly in equity	**-**	**-**	**1,022,561**	**(55,430)**	**-**	**-**	**967,131**	**8,513**	**975,644**
Dividends	-	-	(417,632)		-	-	**(417,632)**	(8,281)	**(425,913)**
Balance at 31/01/2007	**93,500**	**20,379**	**3,322,635**	**(35,656)**	**(6,970)**	**54,489**	**3,448,377**	**22,227**	**3,470,604**
Balance at 01/02/2007	93,500	20,379	3,322,635	(35,656)	(6,970)	54,489	**3,448,377**	22,227	**3,470,604**
Transfers	-	-	35,347	(35,347)	-	-	**-**	-	**-**
Other	-	-	40,401	-	43	-	**40,444**	(3,268)	**37,176**
Effect of movement in foreign exchange	-	-		(24,366)	-	-	**(24,366)**	-	**(24,366)**
Restatement due to inflation	-	-	-	-	-	-	**-**	-	**0**
Net income recognized directly in equity	-	-	**75,748**	**(59,713)**	**0**	-	**16,078**	**(3,268)**	**12,810**
Profit for the year	-	-	1,250,269	-		-	**1,250,269**	7,495	**1,257,764**
Total net income recognized directly in equity	-	-	**1,326,017**	**(59,713)**	**0**	-	**1,266,347**	**4,227**	**1,270,574**
Dividends	-	-	(521,591)	-			**(521,591)**	(2,532)	**(524,123)**
Balance at 31/01/2008	**93,500**	**20,379**	**4,127,061**	**(95,369)**	**(6,927)**	**54,489**	**4,193,133**	**23,922**	**4,217,055**

5 Consolidated annual accounts of the Inditex group as at 31 january 2008*

The consolidated annual accounts of the Inditex Group for 2007 have been prepared by the board of directors of the Company and will be submitted for approval at the corresponding annual general shareholders' meeting. The directors consider that the consolidated annual accounts will be approved without changes. These annual accounts have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (hereinafter EU-IFRS), in compliance with Regulation (EC) No. 1606/2002 of the European Parliament.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2007 will hereinafter be referred to as the 2006 period or year, the period ended 31 January 2008 as 2007, 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 2007 have been prepared by the board of directors in a separate document.

It is estimated that the consolidated annual accounts for 2007 will be approved by the shareholders at their ordinary annual general meeting without significant changes. The consolidated annual accounts for 2006 were approved by the shareholders at their ordinary general meeting held on 17 July 2007.

These consolidated annual accounts present fairly the consolidated shareholders' equity, financial position and changes in equity of the Inditex Group as at 31 January 2008, as well as the results of its operations and cash flows for the year then ended.

The consolidated annual accounts for 2007 have been prepared on the basis of the accounting records of Inditex and the remaining group companies

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

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

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

5.1 Activity and description of the Group

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

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

Inditex 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 centres of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centres for each concept in which inventory is stored and distributed to stores worldwide.

At 31 January 2008 the different group formats have stores in 68 countries, as follows:

	Number of stores		
	Company-managed	**Franchises**	**Total**
Spain	1,715	32	**1,747**
Rest of Europ	1,221	141	**1,362**
America	257	37	**294**
Rest of the world	43	245	**288**
Totales	**3,236**	**455**	**3,691**

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

5.2 Net sales

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

Details of this caption for 2007 and 2006 are as follows:

	2007	2006
Net sales in Company-managed stores	**8,666,110**	7,587,355
Net sales to franchises	**667,947**	523,295
Other sales and services rendered	**100,613**	85,615
Total	**9,434,670**	**8,196,265**

5.3 Cost of merchandise

Details of this caption for 2007 and 2006 are as follows:

	2007	2006
Raw materials and consumables	**4,269,269**	3,728,787
Change in inventories	**(183,310)**	(139,511)
Total	**4,085,959**	**3,589,276**

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

5.4 Operating expenses

Details of "Operating expenses" are as follows:

	2007	2006
Personnel expenses	**1,472,900**	1,250,845
Operating leases (note 24)	**855,378**	717,915
Other operating expenses	**898,091**	831,483
Total	**3,226,369**	**2,800,243**

At 31 January 2008 Group had a total of 79,517 employees (69,240 at 31 January 2007). Note 27 (employee benefits) provides additional information on personnel expenses.

Lease expenses mainly relate to the rental, through operating leases, of the commercial premises from which the Group carries out its activity. Note 24 provides more detailed information on the main characteristics of these leases, together with the related minimum future payment commitments.

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

5.5 Other net operating income/expenses

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

This caption mainly include gains on the sale of the companies mentioned in note 32 and variations in the debt related to reciprocal sales and purchase options between the Group and shareholders with a partial stake in certain subsidiaries, as these options are considered a deferred acquisition of the shares which constitute the underlying asset (see notes 21 and 32). These variations are mainly due to the relationship between the price of the options and the number of stores operated, shareholders' equity and the results of these subsidiary companies.

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

a) Subsidiary companies domiciled in Germany

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

These options may be exercised by the holders at any time. However, the exercised call option effectiveness is delayed to certain dates 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 attached and the strike price will depend mainly on the contributions made by Otto GmbH and Co. KG to the shareholders' equity of the subsidiary and on the number of ZARA stores opened in Germany after 1 February 2006.

b) Subsidiary companies domiciled in Mexico

The Group has call options on 5% of the share capital of Zara México, S.A. de C.V., 3% of the share capital of Bershka México, S.A. de C.V., and 1.5% each of Oysho México, S.A. de C.V.

and Pull & Bear México, S.A. de C.V., which are held by the minority shareholder. The exercise period of these options extends over the term of the agreements between the parties. The options have no premium attached and the strike price will depend on the shareholders' equity of the subsidiaries.

5.6 Financial results

Details of "Net financing revenue/costs" in the consolidated income statements for 2007 and 2006 are as follows:

	2007	2006
Interest income	**20,603**	16,425
Foreign exchange gains	**15,280**	3,515
Dividends	**144**	223
Changes in fair value of financial instruments	**-**	-
Total income	**36,026**	**20,163**
Interest expense	**(4,659)**	(10,993)
Foreign exchange losses	**(28,836)**	(21,067)
Changes in fair value of financial instruments	**(1,568)**	(2,137)
Total expenses	**(35,063)**	**(34,198)**
Total	**964**	**(14,035)**

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

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

	2007	2006
Variation in fair value derived from hedging	**(5,827)**	1,123
Foreign exchange conversion differences	**(6,516)**	(14,845)
Total	**(12,343)**	**(13,722)**

5.7 Earnings per share

Basic earnings per share were calculated based on the net profit for the year divided by the weighted average number of ordinary shares in circulation during the year, excluding the average number of treasury shares held by the Group (see note 22), which in 2007 and 2006 totaled 620,942,175 and 620,941,017, respectively.

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

5.8 Segment reporting

Business segments

The principal activity of the Inditex Group comprises the retail distribution of clothing, footwear, accessories and household textile products through various commercial format stores aimed at different targeted sectors of the public. These commercial formats are managed independently in such a way that each constitutes a business segment which is subject to risks and rewards different to those experienced by the rest of the Group, although each carries out its activity in the same sector.

The seven business formats of Inditex are: Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home. Each format 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 knowledge, economic solvency before third parties and in all corporate activities. As a result of strategic modifications to the Group, the business segment which, until the previous year, comprised the operations of the Kiddy's Class format is no longer subject to different risks and rewards which would require it to be presented separately from the Zara segment, with which it has been grouped, and therefore, comparative information has been duly modified following the requirements of international financial reporting standards.

Geographical segments

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

Primary and secondary segments

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

Details of the Inditex Group by segments are as follows.

Primary segments

2006	Zara	Rest of formats	Eliminations on consolidation	Total
Total revenue	5,827,011	2,663,156	-	**8,490,167**
Inter-segment revenue	292,931	970	(293,901)	**-**
Revenue from third parties	5,534,080	2,662,185	-	**8,196,265**
Segment result	910,700	445,559	-	**1,356,259**
Segment assets	3,085,349	1,884,530	-	**4,969,878**
Segment liabilities	1,422,240	536,089	-	**1,958,329**
Segment investments	662,916	305,562	-	**968,478**
Amortization and depreciation	302,645	130,783	-	**433,427**
Expenses without cash outflow	50,540	4,449	-	**54,989**
ROCE	40%	50%	-	**43%**
Number of stores	1,175	1,956	-	**3,131**

2007	Zara	Rest of formats	Eliminations on consolidation	Total
Total revenue	6,661,184	3,172,269	-	**9,833,453**
Inter-segment revenue	399 ,134	1,649	(398,782)	**-**
Revenue from third parties	6,264,050	3,170,620	-	**9,434,670**
Segment result	1,117,316	534,864	-	**1,652,180**
Segment assets	3,668,278	2,343,621	-	**6,011,899**
Segment liabilities	1,766,793	588,342	-	**2,355,135**
Segment investments	641,062	376,793	-	**1,018,395**
Amortization and depreciation	338,879	157,785	-	**496,663**
Expenses without cash outflow	45,607	4,735	-	**50,342**
ROCE	41%	50%	-	**43%**
Number of stores	1,361	2,330	-	**3,691**

2006

	Zara	Pull & Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Eliminations on consolidation	Total
Total revenue	5,827,011	519,082	614,490	798,210	427,648	164,604	139,121	-	**8,490,167**
Inter-segment revenue	292,931	278	312	376	-	-	5	(293,901)	**-**
Revenue from third parties	5,534,080	518,804	614,178	797,835	427,648	164,604	139,116	-	**8,196,265**
Segment result	910,700	78,030	80,683	131,294	98,205	39,021	18,326	-	**1,356,259**
Segment assets	3,085,349	329,879	550,537	541,537	234,605	126,653	101,319	-	**4,969,878**
Segment liabilities	1,422,240	99,417	112,606	171,318	83,463	29,237	40,047	-	**1,958,329**
Segment investments	662,916	55,642	67,202	76,645	46,099	32,169	27,805	-	**968,478**
Amortization and depreciation	302,645	25,819	37,041	35,820	17,780	9,362	4,961	-	**433,427**
Expenses without cash outflow	50,540	1,284	1,029	1,188	73	547	328	-	**54,989**
ROCE	40%	43%	33%	55%	86%	55%	33%	-	**43%**
Number of stores	1,175	467	399	433	304	201	152	-	**3,131**

2007

	Zara	Pull & Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Eliminations on consolidation	Total
Total revenue	6,661,184	615,091	696,092	925,637	520,864	213,201	201,384	-	**9,833,453**
Inter-segment revenue	399,134	742	479	427	-	-	1	(398,782)	**-**
Revenue from third parties	6,264,050	614,348	695,613	925,211	520,864	213,201	201,383	-	**9,434,670**
Segment result	1,117,316	99,193	105,674	153,650	119,433	40,045	16,868	-	**1,652,180**
Segment assets	3,668,278	405,693	616,411	641,814	327,392	197,191	155,121	-	**6,011,899**
Segment liabilities	1,766,793	111,829	149,732	161,060	81,191	42,317	42,212	-	**2,355,135**
Segment investments	641,602	76,595	35,171	74,026	81,104	59,622	50,276	-	**1,018,395**
Amortization and depreciation	338,879	29,139	37,021	45,862	20,412	14,817	10,534	-	**496,663**
Expenses without cash outflow	45,607	1,337	1,117	1,023	231	411	615	-	**50,342**
ROCE	41%	47%	44%	59%	74%	39%	18%	-	**43%**
Number of stores	1,361	519	426	510	381	290	204	-	**3,691**

The segment result refers to the operating result (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 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 activity as well as financial and tax-related assets.

Secondary segments

	Net sales to third parties	
	2007	**2006**
Spain	**3,746,817**	3,417,631
Rest of Europe	**4,093,086**	3,349,580
America	**974,089**	940,701
Rest	**620,678**	488,352
Total	**9,434,670**	**8,196,265**

	Net assets	
	31/01/08	**31/01/07**
Spain	**1,980,293**	1,935,091
Rest of Europe	**3,487,227**	2,542,954
America	**411,362**	378,175
Rest	**133,017**	113,657
Total	**6,011,899**	**4,969,878**

	Investments	
	2007	**2006**
Spain	**433,770**	427,735
Rest of Europe	**477,636**	433,457
America	**80,024**	80,091
Rest	**26,965**	27,195
Total	**1,018,395**	**968,478**

5.9 Trade and other receivables

Details of this caption at 31 January 2008 and 2007 are as follows:

	31/01/08	31/01/07
Trade receivables	**88,502**	62,047
Sales to franchises	**112,094**	90,859
Public entities	**188,554**	144,319
Other current receivables	**74,566**	66,410
Total	**463,716**	**363,635**

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 2). Sales to franchises are made under agreed collection terms and generate the receivables shown in the table above, which are secured as described in note 26.

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

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

5.10 Inventories

Details at 31 January 2008 and 2007 are as follows:

	31/01/08	31/01/07
Raw materials and consumables	**46,395**	38,661
Work in progress	**23,826**	18,058
Finished goods for sale	**936,992**	767,184
Total	**1,007,213**	**823,903**

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

5.11 Property, plant and equipment

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

	Land and buildings	Leasehold improvements, machinery and furniture	Other property, plant and equipment	Advances and work in progress	Total
Cost					
Balance at 01/02/2006	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 31/01/2007	**643,456**	**3,333,197**	**139,927**	**197,951**	**4,314,531**
Balance at 01/02/2007	643,456	3,333,197	139,927	197,951	4,314,531
Acquisitions	138,156	605,524	34,251	122,484	900,415
Acquisition of subsidiaries					-
Disposals	(16,741)	(94,034)	(3,811)	(14,477)	(129,063)
Transfers	78,594	(4,889)	4,034	(80,947)	(3,208)
Effect of movements in foreign exchange	(1,348)	(26,963)	(618)	(587)	(29,516)
Balance at 31/01/2008	**842,117**	**3,812,835**	**173,783**	**224,424**	**5,053,159**
Accumulated depreciation					
Balance at 01/02/2006	121,617	1,047,407	62,092	-	1,231,117
Depreciation charge for the year	16,710	347,777	15,513	-	380,000
Acquisition of subsidiaries	-	-	-	-	-
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)
Restatement due to inflation	-	-	-	-	-
Balance at 31/01/2007	**135,763**	**1,292,319**	**72,134**	**-**	**1,500,216**
Balance at 01/02/2007	135,763	1,292,319	72,134	-	1,500,217
Depreciation charge for the year	21,014	412,062	20,911	-	453,987
Disposals	(3,551)	(89,342)	(1,711)	-	(94,604)
Transfers	(3,644)	(3,841)	366	-	(7,119)
Effect of movements in foreign exchange	(55)	(2,308)	95	-	(2,268)
Balance at 31/01/2008	**149,527**	**1,608,890**	**91,795**	**-**	**1,850,212**
Impairment losses (note 32.2-g)					
Balance at 01/02/2006	-	25,956	-	-	25,956
Impairment charge	-	8,596	-	-	8,596
Applications	-	(9,053)	-	-	(9,053)
Balance at 31/01/2007	**-**	**25,499**	**-**	**-**	**25,499**
Balance at 01/02/2007	-	25,499	-	-	25,499
Impairment charge	-	4,861	-	-	4,861
Applications	-	(3,113)	-	-	(3,113)
Disposals	-	(6,024)	-	-	(6,024)
Effect of movements in foreign exchange	-	(388)	-	-	(388)
Balance at 31/01/2008	**-**	**20,835**	**-**	**-**	**20,835**
Net carrying amount					
Balance at 31/01/2007	507,693	2,015,379	67,793	197,951	2,788,816
Balance at 31/01/2008	**692,590**	**2,183,110**	**81,988**	**224,424**	**3,182,112**

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

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, installations and furniture, whose gross cost value amounted to euros 330,713 thousand and euros 284,344 thousand at 31 January 2008 and 2007, respectively.

The Group contracts insurance policies to cover potential risks affecting items under property, plant and equipment.

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

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

The Group contracts insurance policies through corporate insurance programmes to protect its equity 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 worldwide insurance programmes through which the main risks insured by the Group are organized.

5.12 Investment property

Investment property mainly corresponds to premises and other properties leased to third parties. Movement in this caption during 2007 and 2006 is as follows:

Cost	**31/01/08**	**31/01/07**
Opening balance	**19,678**	19,644
Acquisitions	**-**	34
Closing balance	**19,678**	19,678
Amortization and depreciation		
Opening balance	**7,827**	5,417
Acquisitions	**2,376**	2,410
Closing balance	**10,203**	7,827
Net carrying amount	**9,475**	**11,851**

The total market value of investment property at 31 January 2008 is approximately euros 23,450 thousand.

During 2007, euros 1,678 thousand (euros 1,747 thousand in 2006) of rental income on these properties has been included under Net sales – Other sales and services rendered (see note 2) in the consolidated income statement.

5.13 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 2007 and 2006 are as follows:

	Rights over leased property	Industrial property	Software	Advances and other intangible assets	Total
Cost					
Balance at 01/02/2006	**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 31/01/2007	**656,915**	**19,760**	**7,904**	**8,280**	**692,859**
Balance at 01/02/2007	**656,915**	**19,760**	**7,904**	**8,280**	**692,859**
Acquisitions	94,291	3,510	1,964	1,269	101,034
Disposals	(8,964)	(222)	-	-	(9,186)
Transfers	5,476	-	-	(5,476)	-
Effect of movements in foreign exchange	(5,681)	-	(238)	(249)	(6,168)
Balance at 31/01/2008	**742,037**	**23,048**	**9,630**	**3,824**	**778,539**
Amortization					
Balance at 01/02/2006	**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 31/01/2007	**202,349**	**12,614**	**5,235**	**2,875**	**223,073**
Balance at 01/02/2007	**202,349**	**12,614**	**5,235**	**2,875**	**223,073**
Amortization for the year	35,398	1,396	848	69	37,711
Disposals	(2,432)	(22)	-	-	(2,454)
Transfers	840	-	-	-	840
Effect of movements in foreign exchange	851	-	145	(2)	994
Balance at 31/01/2008	**237,006**	**13,988**	**6,228**	**2,942**	**260,164**
Impairment losses (note 32.2-g)					
Balance at 01/02/2005	**393**	**-**	**-**	**-**	**393**
Impairment charge	(23)	-	-	-	(23)
Balance at 31/01/2006	**370**	**-**	**-**	**-**	**370**
Balance at 01/02/2006	**370**	**-**	**-**	**-**	**370**
Applications	57	-	-	-	57
Balance at 31/01/2007	**427**	**-**	**-**	**-**	**427**
Net carrying amount					
Balance at 31/01/2007	454,196	7,146	2,669	5,405	469,416
Balance at 31/01/2008	**504,604**	**9,060**	**3,402**	**882**	**517,948**

5.14 Goodwill

Details of and movement in goodwill during 2007 and 2006 are as follows:

	2007	2006
Opening balance	**98,992**	79,094
Acquisitions	**39,002**	19,822
Disposals	**(13,000)**	-
Other	**589**	76
Closing balance	**125,583**	98,992

Subsidiary	2007	2006
Stradivarius Espa_a, S.A.	**53,253**	53,253
BCN Dise_os, S.A. de C.V.	**15,523**	14,934
Zara Polska, S.p. Zo.o.	**29,838**	10,983
Zao Zara CIS	**19,822**	19,822
Pull&Bear CIS	**428**	-
Stradivarius CIS	**6,719**	-
Closing balance	**125,583**	98,992

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

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

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

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 (8,000,000). 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. At 31 January 2008 a current liability has been recorded with a balancing entry under "Goodwill" in order to recognize these put options granted to the minority shareholder.

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

In 2007, Inditex also rescinded the franchise contracts of the companies which operated the franchise rights to the Pull&Bear and Stradivarius formats in Russia, thus generating goodwill of euros 428 thousand and 6,719 thousand, respectively. As indicated in note 16, in 2007 the company Fibracolor was fully consolidated. The resulting goodwill has been completely written off during the year through "Amortization and depreciation" in the consolidated income statement.

The acquisitions referred to above had the following effect on the Group's assets and liabilities in the corresponding years:

	2007	2006
	Fibracolor	**Zao Zara CIS**
Tangible assets	20,692	16,068
Other non-current assets	-	7
Cash and cash equivalents	-	478
Inventories	2,239	4,054
Other current assets	19,074	4,120
Current liabilities	(41,603)	(6,521)
Non-current liabilities	(11,348)	(8,862)
Minority interest	(2,054)	
Net identified assets and liabilities	(13,000)	9,344
Goodwill	-	19,822
Cost of acquisition	-	29,166
Amount disbursed	-	29,166
Cash acquired	(2,733)	(478)
Net cash outflow	**-**	**28,688**

Goodwill arising from the acquisition or cancellation of the franchise contracts is equivalent to the value of the intangible assets that do not comply with the requirements established in IFRS 3 for separate recognition. The Group calculates the value in use of these cash-generating units using the budgets approved by management and cash flow forecasts, without having considered dating the necessity of recognizing any amount in relation to impairment (note 32.2-g).

5.15 Financial investments

Details of and movement in financial investments during 2007 and 2006 are as follows:

	Investment securities	Investments in EIGs	Bank deposits	Loans and other credit facilities	Total
Balance at 01/02/2006	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 31/01/2007	**5,491**	**10,643**	**13,783**	**3,458**	**33,375**
Balance at 01/02/2007	5,491	10,643	13,783	3,458	33,375
Acquisitions	-	24,464	-	13,136	37,600
Disposals	-	(20,476)	-	-	(20,476)
Transfer to current assets	-	-	(13,783)	-	(13,783)
Other	-	-	-	(542)	(542)
Balance at 31/01/2008	**5,491**	**14,631**	**-**	**16,052**	**36,174**

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

The investment in Economic Interest Groupings (EIGs) comprises Inditex's shareholding in fourteen economic interest groupings, the activity of which is the leasing of assets managed by a separate, non-group entity which retains most of the profits and is exposed to the risks associated with this activity. These groupings have applied the fiscal incentives established in prevailing Spanish legislation (see note 23), the effect of which is shown under “Income tax” in the consolidated income statement.

5.16 Investments in associate companies

In 2006, Inditex's 39.9% stake in Fibracolor, S.A. was classified under this caption. This company renders services to several Inditex Group companies and its activity is the dyeing and printing of all types of fabrics, as well as other related finishing processes

As of 31 January 2007 the rest of shareholders of this company were EPLICSA (Empresa de Promoció i Localització Industrial de Catalunya, S.A.), with a 25.2% stake, and other shareholders which held not more than 7% of share capital.

As agreed among the shareholders, EPLICSA had the right to sell its 25.2% shareholding to the other shareholders based on their percentage ownership. This sale agreement was exercised by EPLICSA with effect from 31 December 2007, the final deadline agreed by the interested parties. As a result, Inditex now holds the majority of voting rights.

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

Movement in this caption in 2007 and 2006 has been as follows:

	2007	**2006**
Opening balance	**4,446**	7,040
Loss of the year	**(7,508)**	(2,786)
Disposals	**3,062**	-
Other	**-**	192
Closing balance	**-**	**4,446**

5.17 Other non-current assetss

Details of and movement in this caption of the consolidated balance sheet during 2007 and 2006 are as follows:

	Guarantees	Other	Total
Balance at 01/02/2006	72,969	14,193	87,162
Acquisitions	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 31/01/2007	**81,177**	**16,906**	**98,083**
Balance at 01/02/2007	81,177	16,906	98,083
Acquisitions	23,713	5,886	29,599
Disposals	(1,586)	(1,880)	(3,466)
Loss for the year	-	-	-
Transfers	-	300	300
Effect of movements in foreign exchange	(795)	(4,026)	(4,821)
Balance at 31/01/2008	**102,509**	**17,186**	**119,695**

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

5.18 Trade and other payables

Details of this caption of the 2007 and 2006 consolidated balance sheets are as follows:

	31/01/08	31/01/07
Trade payables	**1,455,784**	1,183,009
Trade payables due to associates	**-**	91
Personnel	**122,151**	97,038
Public entities	**296,179**	242,209
Other current payables	**101,137**	96,479
Total	**1,975,251**	**1,618,825**

5.19 Net financial position

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

	31/01/08	31/01/07
Cash in hand and at banks	**538,660**	403,770
Short-term deposits	**134,393**	66,839
Fixed-income securities	**792,782**	435,539
Total cash and cash equivalents	**1,465,835**	**906,148**

Details of Group debt with banks are as follows:

	31/01/2008			31/01/2007		
	Current	Non-current	Total	Current	Non-current	Total
Loans	31,775	33,663	65,439	42,938	1,342	44,280
Credit facilities	333,494	-	333,494	97,394	34,129	131,523
Finance leases	6,006	8,695	14,701	3,654	11,843	15,497
Other financial debt	-	-	-	1,091	-	-
	371,276	**42,358**	**413,634**	**145,077**	**47,314**	**192,391**

At 31 January 2008 the Group has a drawdown limit of euros 824,982 thousand on its credit facilities (euros 691,692 thousand at 31 January 2007).

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

Financial debt is stated in the following currencies:

	31/01/08	31/01/07
Euro	**290,913**	51,519
American Dollar	**10,102**	27,143
Other European currencies	**49,600**	41,515
Other American currencies	**44,942**	42,765
Other currencies	**18,076**	29,449
	413,634	**192,391**

The maturity of group debt with banks at 31 January 2008 and 2007 is as follows:

	31/01/08	31/01/07
Less than one year	**371,276**	145,077
Between one and five years	**42,358**	47,314
More than five years	**-**	-
	413,634	**192,391**

5.20 Provisions

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

	Pensions and similar obligations with personnel	Liabilities	Total
Balance at 01/02/2007	5,934	39,180	45,114
Provisions made during the year	1,187	11,757	12,944
Provisions used during the year	(2,306)	(8,153)	(10,459)
Transfers	(18)	-	(18)
Effect of movements in foreign exchange	100	-	100
Balance at 31/01/2008	**4,897**	**42,784**	**47,681**

Provision for pensions and similar obligations with personnel

In accordance with prevailing collective labour agreements, certain group companies are obliged to pay retirement bonuses. The Group created a provision to cover the liability corresponding to the estimated accrued portion at the closing date (see note 27). This liability has been externalized and therefore no amount is recorded for this item under "Provisions" on the balance sheet.

Provision for liabilities

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

5.21 Other non-current liabilities

Details of and movement in this caption of the consolidated balance sheet during 2007 and 2006 are as follows:

	Shareholder share options	Lease incentives	Non-current payables	Other	Total
Balance at 01/02/2006	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
Transfers of assets	-	-	-	-	-
Disposals	(94,910)	-	-	(5,312)	(100,222)
Effect of movements in foreign exchange	881	-	-	-	881
Balance at 31/01/2007	**30,263**	**150,597**	**-**	**9,210**	**190,070**
Balance at 01/02/2007	30,263	150,597	-	9,210	190,070
Acquisitions	4,043	49,119	-	1,145	54,307
Changes through profit or loss	-	(12,734)	-	-	(12,734)
Transfers of assets	-	(781)	-	-	(781)
Disposals	-	-	-	-	-
Effect of movements in foreign exchange	(726)	(648)	-	-	(1,374)
Balance at 31/01/2008	**33,580**	**185,553**	**-**	**10,355**	**229,488**

Additions through profit and loss have been recognized under “Other net operating income/expenses” and “Operating expenses” (euros 2,475 thousand in 2007 and euros 39,560 thousand in 2006) (see note 5) and “Financial results” (euros 1,568 thousand in 2007 and euros 1,043 thousand in 2006) (see note 6) of the consolidated income statement.

5.22 Capital and reserves

Share capital

At 31 January 2008 and 2007, 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 and, consequently, the Company is unaware of how exactly its share capital is held. According to public information registered with the Spanish Stock Exchange Commission, at 31 January 2008 the members of the board of directors or related companies controlled approximately 59.327% of parent company share capital, compared to 59.325% as at 31 January 2007 (see note 30).

Treasury shares

Treasury shares held by the Inditex Group comprise the following:

- 41,000 treasury shares at 31 January 2008 (41,000 as at 31 January 2007) with an average acquisition cost of euros 2.18 per share.

- 2,333,809 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 to 3,018,400 shares of a capital increase carried out in January 2001 and signed a call option agreement in favour 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 2007 and recorded as treasury shares. As described in note 27, the shareholders at an annual general meeting agreed to incorporate these remaining shares into a new share-based remuneration plan.

5.23 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:

Bershka Logística, S.A.	Lefties España, S.A.	Stear, S.A.
Bershka BSK España, S.A.	Massimo Dutti Logística, S.A.	Stradivarius España, S.A.
Choolet, S.A.	Massimo Dutti, S.A.	Stradivarius Logística, S.A.
Comditel, S.A.	Nikole, S.A.	Trisko, S.A.
Confecciones Fíos, S.A.	Oysho España, S.A.	Uterqüe España, S.A.
Confecciones Goa, S.A.	Oysho Logística, S.A.	Uterqüe Logística, S.A.
Denllo, S.A.	Plataforma Europa, S.A.	Uterqüe, S.A.

Glencare, S.A.	Plataforma Logística León, S.A.	Zara España, S.A.
Goa-Invest, S.A.	Plataforma Logística Meco, S.A.	Zara Home España, S.A.
Grupo Massimo Dutti, S.A.	Pull & Bear España, S.A.	Zara Home Logística, S.A.
Hampton, S.A.	Pull & Bear Logística, S.A.	Zara Logística, S.A.
Inditex, S.A.	Samlor, S.A.	Zara, S.A.
Kiddy's Class España, S.A.	Skhuaban, S.A.	Zintura, 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 2007 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.

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 15).

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. These investments are considered as a financing operation, the estimated net result of which will be recognized over their expected lives. Forecast future years' taxable and accounting income have raised accrued income tax by euros 17,875 thousand.

The 2007 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:

	2007	**2006**
Current taxes	**407,519**	260,108
Deferred taxes	**(19,647)**	69,394

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 payable for 2007 and 2006, is as follows:

	2007	2006
Consolidated accounting income	**1,250,269**	1,001,540
Accrued income tax	**387,872**	329,502
Net permanent differences:		
Individual companies	**(233,153)**	(30,882)
Consolidation adjustments	**54,473**	80,340
Offset of prior years' loss carryforwards	**(15,146)**	(11,285)
Taxable accounting income	**1,444,315**	**1,369,215**
Tax rate	**33%**	**35%**
Total income tax	**469,402**	**479,225**
Effect of tax rates in foreign jurisdictions	**(4,982)**	(78,664)
Tax credits and deductions	**(65,673)**	(161,618)
Foreign witholding taxes	**15,750**	14,578
Other adjustments	**(26,625)**	75,981
Income tax expense	**387,872**	**329,502**
Temporary differences	**19,647**	(69,394)
Net income tax	**407,519**	**260,108**

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, details of which for 2007 and 2006 are as follows:

Deferred tax liabilities:	2007	2006
Lease operations	**3,924**	4,297
Intragroup operations	**50,577**	40,792
Amortization	**13,910**	17,456
Reinvestment of profits	**4,304**	4,719
Other	**38,242**	37,055
Total	**110,957**	**104,319**

Deferred tax assets:	2007	2006
Provisions	**17,881**	15,791
Amortization	**1,505**	6,327
Tax losses	**24,895**	31,250
Other	**37,875**	35,483
Total	**82,156**	**88,851**

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 the prevailing tax legislation in each country, group companies have applied tax credits amounting to euros 65,673 thousand. Although these companies have, in general, not yet filed their income tax returns for 2007, deductions and credits of euros 116,538 thousand have been included in the income tax provision, which is shown in the accompanying annual accounts. The surplus included in the calculation of the provision for the current year corresponds to credits which were unable to be applied in the previous year due to a shortfall in income tax. The deferred tax asset recognized in the previous year has been cancelled with a charge to accrued income tax.

At 31 January 2008, the Group has tax losses of euros 138,053 (euros 109,154 thousand at 31 January 2007) 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 the tax legislation in each country. The directors do not expect that any significant additional liabilities affecting Group equity or results would arise in the event of inspection.

5.24 Operating leases

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

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

In many cases the lease contracts simply establish a fixed rental payment, normally monthly, adjusted for inflation based on a price index. In other cases the amounts payable to the lessor are a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may have minimum guaranteed amounts or certain rules of calculation attached. In some countries lease contracts are periodically indexed to market rates, which on occasion entails an increase in rent, but not when market rates are lower. Occasionally, staggered rental payments are agreed, which means cash outflows can be reduced during the initial years of commercial premises use, even if the expense is recognized on a straight-line basis (see note 32.2-p). Free rental periods are also frequently established in order to avoid having to pay rent when premises are being refurbished and prepared for opening.

Rental contracts also sometimes require lessees to pay certain amounts to the lessor, which, from an economic perspective, could be considered advance rental payments, or to the previous tenants so that they waive certain rights or transfer them to the Group (transfer rights or different types of indemnities). These amounts are recognized as non-current assets (see note 13) and are generally amortized over the term of the lease contract.

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

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

Details of operating lease expenses are as follows:

	2007	2006
Minimum installments	**701,410**	587,304
Contingent installments	**153,968**	130,611
	855,378	**717,915**
Sub-leasing collections	**2,046**	**4,269**

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

	2007			2006		
	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	533,457	1,099,425	799,299	466,687	957,015	701,686

5.25 Finance leases

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

	31/01/08	31/01/07
Cost of the asset	**54,386**	62,600
Accumulated depreciation	**(12,310)**	(13,836)
	42,076	**48,764**

	Minimum payments	
	31/01/08	31/01/07
Less than one year	**6,006**	5,588
Between one and five years	**8,695**	17,682
More than five years	**-**	492
	14,701	**23,762**

5.26 Risk management and financial instruments

Financial risk management policies

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

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

Exchange rate risk

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

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

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

During 2007, had the value of the euro increased by 10% compared to the US Dollar and, as a result, compared to the rest of the foreign currencies linked to the US Dollar, all other things being equal, consolidated profit after income tax would have been approximately euros 48,524 thousand higher (euros 47,213 thousand in 2006), primarily because of the conversion of subsidiaries' financial statements expressed in currencies other than the euro, and the impact on the portion of merchandise purchases in US Dollars not covered by exchange-rate hedges.

Credit risk

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

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

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

At 31 January 2008 and 2007 no significant outstanding balances exist. Furthermore, based on available historical data, the Group does not consider it necessary to make value adjustments to receivables which are not past due. The fair value of receivables is equal to their carrying amount.

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

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows of normal operations. In the event the Group requires financing, either in euros or in other currencies, it reverts to loans, credit facilities or other types of financial instruments (see note 19).

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

Interest-rate risk

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

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

Capital management

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

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

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

Financial instruments

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

Moreover, and as described in note 32.2.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. A total of euros 1,626 thousand (euros 1,130 thousand in 2006) was reclassified to the income statement, the hedged portion of which was recognized under cost of sales and the speculative portion under net financing revenue/(costs). The ineffective portion of hedging derivatives has not been significant and has also been taken to net financing revenue/(costs).

At 31 January 2008 the Group held derivatives, mainly forward purchases and options, in US Dollars and Pounds Sterling for a par value of approximately US Dollars 529,950 thousand and Pounds Sterling 9,100 thousand, respectively (US Dollars 387,800 thousand and Pounds Sterling 33,000 thousand at 31 January 2007), and Mexican Pesos 895,000 thousand.

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

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

Details of the various financial asset and liability categories are disclosed in notes 15 and 19. No amount has been recognized for the impairment of financial assets during 2007.

5.27 Employee benefits

Defined benefit or contribution plan obligations

In general, the Group has no defined benefit or contribution plan obligations with its employees. However, in line with prevailing labour legislation or customary practice in certain countries, the Group assumes certain commitments related to the payment of specific amounts for accidents, illness, retirement, etc., to which employees sometimes contribute. The associated risk is partially or fully externalized through insurance policies. Furthermore, in some countries employees receive a share of company profits. The liabilities associated with these items are recognized under “Trade and other receivables” and “Other non-current liabilities” in the consolidated balance sheet. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

Share-based payments

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

Through this Plan, beneficiaries 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 causa mortis, who may only be 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 must 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 quotation price during 2006 and 2007 exceeds the weighted average quotation price during the last quarter of 2005 by a certain percentage established by the board of directors, based on the different forecast revaluation scenarios.

Fair value at the plan concession date was estimated at euros 48,046 thousand using commonly accepted valuation techniques, taking into account assumptions corresponding to the value of the share at the grant date, the average quotation, interest rates, the dividend payable or "dividend yield" and volatility. Personnel expenses recorded in the consolidated income statement for the year amount to euros 22,139 thousand (euros 11,100 thousand in 2006), with a balancing entry in equity.

5.28 Interest in joint ventures

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

	2007	2006
Non-current assets	**24,238**	12,127
Current assets	**80,231**	91,547
Non-current liabilities	**(832)**	(752)
Current liabilities	**(50,839)**	(47,652)
Net assets	**52,798**	**55,270**
Revenues (*)	**253,123**	229,094
Expenses	**(215,930)**	**(201,920)**

(*) Revenues to third parties: 31,988 and 24,835 thousand euros in 2007 and 2006, respectively.

5.29 Proposed distribution of parent company profit

The directors will propose that the 2007 net profit of the parent company, which amounts to euros 699,699 thousand, be distributed as follows: euros 652,000 thousand as dividends (euros 1.05 per share) and euros 47,699 thousand to voluntary reserves.

5.30 Remuneration of the board of directos and transactions with related parties

Remuneration of the board of directors

Remuneration received by the board of directors and senior management during 2007 is shown in the section on transactions with related parties.

As in 2006, 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 2008 the members of the board of directors held the following direct and indirect investments in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
Mr. Amancio Ortega Gaona	-	369,600,063 (1)	59.294%
Mr. Pablo Isla Álvarez de Tejera	39,800	-	0.006%
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	37,000	-	0.006%
GARTLER, S.L.	311,727,598	-	50.010%
Mr. Francisco Luzón López	-	-	0%
Ms. Irene R. Miller	30,239	-	0.005%
Mr. Juan Manuel Urgoiti López de Ocaña	27,739	-	0.004%
Mr. José Luis Vázquez Mariño	5,000	-	0.000%
Mr. Antonio Abril Abadín	76,015	-	0.012%
Total			**59.327%**

(1) Through Gartler, S.L. and Partler 2006, S.L.

Transactions with related parties

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

Inditex Group companies

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

Details of operations between Inditex and its joint ventures 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:

Company	Thousands of euros 2007	2006
Associates	--	(7,515)
Joint ventures	(221,135)	(193,749)

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 2007 and 2006, operations carried out by the Inditex Group with the controlling shareholder, or with related persons or companies, are as follows:

2007:

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

2006:

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

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 5,054 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 2007 amounted to euros 6,104 thousand.

Members of the board of directors and management

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

	Board members	Management
Remunerations	4,518	10,179
Indemnities	-	560
Share-based payments	-	-

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	-	-

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 27.

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	-	441,426	0.073

In 2007, a part of this Plan was partially liquidated, providing one manager with 14,574 shares.

Finally and as part of the operations with directors or individuals related to the directors, the Inditex Group has received income of euros 231 thousand during 2007. This income is from the construction work performed by the Group's construction company Goa-Invest, S.A., which was performed at arm's length.

5.31 External auditors

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

	2007	2006
Audit services	**3,433**	3,232
Other services	**360**	309
Total	**3,793**	**3,541**

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

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

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

5.32 Selected accounting policies

5.32.1 Basis of consolidation

a) Subsidiaries

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

Net identifiable assets acquired, liabilities and contingent liabilities assumed as part of a business combination are stated at fair value at the date of acquisition, providing this has taken place after 1 January 2004, the date of transition to EU-IFRS. Any excess over the fair value of identifiable assets acquired, liabilities and contingent liabilities assumed at that date is recognized as goodwill, and 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. Minority interest shown in the consolidated statement of changes in equity corresponds to investments held in group companies prior to the date of transition to EU-IFRS. Consequently, these investments are measured at an amount equivalent to the percentage of the net carrying amount of the assets and liabilities of the companies of which they are shareholders.

Any loss attributable to minority interest exceeding their interest is assumed by the Group when preparing its annual accounts. Minority interest in the equity and results of subsidiaries is presented under "Net equity attributable to minority interest" and "Profit attributable to minority interest", respectively. Details of subsidiaries, joint ventures and associates are provided in Appendix I.

b) 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.

c) 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.

d) 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.

e) Intragroup eliminations

Intragroup balances and transactions, and any unrealized gains or losses arising from transactions with third parties, are eliminated in the consolidation process. In the case of jointly controlled entities, balances, revenues and expenses between intragroup companies, and any unrealized gains or losses arising from transactions with third parties, are eliminated in the consolidation process to the extent of the Group's interest in the entity. Unrealized gains or losses arising from transactions with associates are eliminated from the consolidated annual accounts to the extent of the Group's interest in the entity.

f) Translation of foreign currency operations

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

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

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

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

g) 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.

h) 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 2007; see Appendix I). Significant operations carried out between the closing date of these subsidiaries and that of the consolidated accounts are harmonized accordingly.

i) Changes to the consolidated group

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

Zara Macau, Ltd.	Pull & Bear Magyaroszg	Massimo Dutti Hong Kong	Bershka Ukraine, LTD
Zara Croatia, Ltd.	Pull & Bear Ro, Srl	Massimo Dutti Polonia	Stradivarius Magyaroszg
Zara Bucuresti, Srl	Pull and Bear Ukraine, LTD	Massimo Dutti Ro, Srl	Stradivarius Croacia, LTD.
Zara Ukraine LLC	Pull & Bear Slovakia, S.R.O.	Massimo Dutti Macau Ltd.	Stradivarius Slovakia, S.R.O.
Zara Slovakia, S.R.O.	Pull & Bear Croacia, LTD	Massimo Dutti Ukraine, LTD	Stradivarius Ro, Srl
Zara Retail Corea, Ltd.	Oysho Ukraine, LTD	Bershka Croatia, Ltd.	Stradivarius Ukraine, LTD
Inditex Vastgoed Corea, Ltd.	Oysho Hungria	Bershka Magyaroszg	Zara Home Ro, Srl
Uterqüe España, S.A.	Oysho Ro, Srl	Bershka Slovakia, S.R.O.	Zara Home CIS
Uterqüe Logística, S.A.	Oysho France, S.A.R.L.	Bershka Carpati, Srl	Zara Home Ukraine, LTD

Furthermore, as explained in note 16, Fibracolor, S.A. is now considered as a subsidiary.

The companies named Sircio, S.A. and Kettering, S.A. at 31 January 2007 have changed their name during the year to Plataforma Logística Meco, S.A. and Skhuaban, S.A. respectively. The company named Often España, S.A. at 31 January 2007 has also changed its name to Uterqüe, S.A.

The following companies are no longer consolidated: Zara Venezuela, S.A., Pull&Bear Venezuela, S.A. and Bershka Venezuela, S.A.

The changes in the consolidated Group referred to in the previous paragraphs have not had a material impact on the consolidated annual accounts for 2007.

5.32.2 Accounting principles

In 2007, the Group applied IFRS 7 "Financial Instruments: disclosures" for the first time and disclosed new information on the capital management objectives, criteria and principles referred to in IAS 1.124A and subsequent paragraphs. The changes contained in the new standard, which became effective for accounting periods ended on or after 1 January 2007, affect the disclosure requirements to be included in the primary financial statements and are summarized in notes 6, 15, 19 and 26 to these consolidated accounts.

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

- Amendments to the presentation of financial statements (1 January 2009);
- Amendments to IAS 23: Borrowing Costs (1 January 2009);

- Amendments to IAS 27: Consolidated and Separate Financial Statements (1 January 2009);
- Amendments to IFRS 2: Vesting Conditions and Cancellations (1 January 2009);
- IFRS 3 (revised) Business Combinations (1 January 2009);
- IFRIC 13 Customer Loyalty Programmes (1 July 2008);
- IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding. Requirements and their Interaction (1 January 2008);

The European Union has adopted IFRS 8 Operating Segments, which will become effective for accounting periods ending on or after 1 January 2009. The directors of the Company have not implemented early application of the standards and interpretations listed above. Moreover, the adoption of new standards is not expected to have a material effect on the Group's 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.

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.

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

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

b) Tangible assets

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

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

The estimated useful lives are as follows:

Description	Years of useful life
Buildings	25 to 50
Leasehold improvements, machinery and furniture	7 to 13
Other property, plant and equipment	4 to 13

The Group reassesses residual values, useful lives and depreciation methods at the end of each financial year. 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 assets 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 assets are recognized at cost of acquisition. After initial recognition, they are stated at cost less accumulated amortization and any impairment losses and are amortized over the term of the lease contract, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

d) Other intangible assets

- 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.

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

e) Financial investments

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

f) Investment property

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

Details of the market value of investment properties are shown in note 12.

g) Impairment

The Group systematically tests for impairment of consolidated assets which are not considered biological assets, financial assets, inventories, deferred tax assets and non-current assets classified as held for sale, in order to determine whether the carrying amount exceeds the recoverable value (impairment). In order to do this, the Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances such as the performance of 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 fair value less selling costs and value in use. Value in use takes into account expected future cash flows deriving from the use of the asset, forecast variations in the amount or distribution of the cash flows, the time value of money, the risks specific to the asset and other current market assessments.

The recoverable amount is calculated for individual assets unless they do not generate largely independent cash flows, in which case the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

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

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

Reversals of impairment

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

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

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

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

h) Receivables

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

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

i) Inventories

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

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

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

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour 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 labour 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 2008.

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

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

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

l) Provisions

Provisions are recognized in the balance sheet when:

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

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

- the amount can be reliably estimated.

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

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

m) Financial liabilities

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

n) Derivatives and hedging operations

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

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

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

o) Revenue recognition

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

Sales to franchises are recognized when the aforementioned conditions are met and when 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

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

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

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

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

q) Financial income and expenses

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

r) Income tax

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

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

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

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

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

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

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

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

s) Current and non-current assets and liabilities

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

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

t) Treasury shares

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

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

5.33 Environment

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

Appendix I- Structure of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent Company	La Coruña - Spain	Global I.	01/31/2008	-	Parent company
Comditel, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Zara	Centralized textile manufacturing
Inditex Asia, Ltd.	100,00%	Hong Kong - China	Global I.	01/31/2008	Zara	Centralized textile manufacturing
Zara Asia, Ltd.	100,00%	Hong Kong - China	Global I.	01/31/2008	Zara	Centralized textile manufacturing
Choolet, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Confecciones Fíos, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Confecciones Goa, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Denllo, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Hampton, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Jema Creaciones Infantiles, S.L.	45,90%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Nikole, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Samlor, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Stear, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Trisko, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Zintura, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Glencare, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
Indipunt, S.L.	51,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Textile manufacturing
UAB Rofestas	100,00%	Vilnius - Lithuania	Global I.	01/31/2008	Zara	Textile manufacturing
Zara España, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Retailing
Zara Argentina, S.A.	100,00%	Buenos Aires - Argentina	Global I.	01/31/2008	Zara	Retailing
Zara Belgique, S.A.	100,00%	Brussels - Belgium	Global I.	01/31/2008	Zara	Retailing
Zara Chile, S.A.	100,00%	Santiago de Chile - Chile	Global I.	12/31/2007	Zara	Retailing
Zara USA, Inc.	100,00%	New York - USA	Global I.	01/31/2008	Zara	Retailing
Zara France, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Zara	Retailing
Zara UK, Ltd.	100,00%	London - United Kingdom	Global I.	01/31/2008	Zara	Retailing
Zara Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Zara	Retailing
Zara México, S.A. de C.V.	95,00%	Mexico DF - Mexico	Global I.	12/31/2007	Zara	Retailing
Zara Portugal Confecçoes Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Zara	Retailing
G.Zara Uruguay, S.A.	100,00%	Montevideo-Urugay	Global I.	01/31/2008	Zara	Retailing
Zara Brasil, Lda.	100,00%	Sao Paulo -Brasil	Global I.	12/31/2007	Zara	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Zara Nederland, B.V.	100,00%	Amsterdam - The Netherlands	Global I.	01/31/2008	Zara	Retailing
Zara Österreich Clothing, GmbH	100,00%	Vienna - Austria	Global I.	01/31/2008	Zara	Retailing
Zara Denmark A/S	100,00%	Stockholm - Sweden	Global I.	01/31/2008	Zara	Retailing
Zara Sverige, AB	100,00%	Stockholm - Sweden	Global I.	01/31/2008	Zara	Retailing
Zara Norge, AS	100,00%	Oslo - Norway	Global I.	01/31/2008	Zara	Retailing
Zara Canada, Inc.	100,00%	Montreal - Canada	Global I.	01/31/2008	Zara	Retailing
Zara Suisse S.A.R.L.	100,00%	Friburgo - Switzerland	Global I.	01/31/2008	Zara	Retailing
Zara Luxembourg, S.A.	100,00%	Luxembourg - Luxembourg	Global I.	01/31/2008	Zara	Retailing
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Global I.	01/31/2008	Zara	Retailing
Zara Italia, S.R.L.	100,00%	Milan - Italy	Global I.	01/31/2008	Zara	Retailing
Zara Japan Corp.	100,00%	Tokyo - Japan	Global I.	01/31/2008	Zara	Retailing
Zara Ceská Republika, S.R.O.	100,00%	Prague - Czech Republic	Global I.	01/31/2008	Zara	Retailing
Zara Puerto Rico, Inc.	100,00%	San Juan - Puerto Rico	Global I.	01/31/2008	Zara	Retailing
Za Clothing Ireland, Ltd.	100,00%	Dublin - Ireland	Global I.	01/31/2008	Zara	Retailing
Zara Magyarorszag, KFT.	100,00%	Budapest - Hungary	Global I.	01/31/2008	Zara	Retailing
Zara Monaco, SAM	100,00%	Montecarlo-Monaco	Global I.	01/31/2008	Zara	Retailing
Zara Commercial (Shanghai), Co Ltd.	100,00%	Shangai- China	Global I.	01/31/2008	Zara	Retailing
Zara Commercial (Beijing), Co Ltd.	100,00%	Beijing- China	Global I.	01/31/2008	Zara	Retailing
Zara Macau, Ltd.	100,00%	Macau-China	Global I.	12/31/2007	Zara	Retailing
Zara Polska, Sp. Zo.o.	51,00%	Warsaw - Poland	Global I.	01/31/2008	Zara	Retailing
ZAO Zara CIS, Ltd.	100,00%	Moscow-Russia	Global I.	12/31/2007	Zara	Retailing
Zara Deutschland, GmbH	78,00%	Hamburg - Germany	Global I.	01/31/2008	Zara	Retailing
Zara Bucuresti, Srl	100,00%	Bucarest-Romania	Global I.	01/31/2008	Zara	Retailing
Zara Ukraine LLC	100,00%	Kiev-Ukraine	Global I.	01/31/2008	Zara	Retailing
Zara Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Global I.	01/31/2008	Zara	Retailing
Zara Croatia, Ltd.	100,00%	Zagreb-Croatia	Global I.	01/31/2008	Zara	Retailing
Zara Retail Korea, Ltd.	100,00%	Seoul-Corea	Global I.	01/31/2008	Zara	Retailing
Inditex Vastgoed Korea, Ltd.	100,00%	Seoul-Corea	Global I.	01/31/2008	Zara	Retailing
Kiddy´s Class España, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Retailing
Kiddy´s Class Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Zara	Retailing
Skhuaban, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Retailing
Skhuaban Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Zara	Retailing
Skhuaban France, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Zara	Retailing
Skhuaban Italia, S.R.L.	100,00%	Milan - Italy	Global I.	01/31/2008	Zara	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Fibracolor Decoración, S.A.	39,97%	Barcelona - Spain	Global I.	12/31/2007	Zara	Decoration
Fibracolor, S.A.	39,97%	Barcelona - Spain	Global I.	12/31/2007	Zara	Purchase and treatment of textile
Oysho España, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Oysho	Retailing
Oysho Venezuela, S.A.	100,00%	Caracas - Venezuela	Global I.	01/31/2008	Oysho	Retailing
Oysho Portugal, Conf. Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Oysho	Retailing
Oysho Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Global I.	12/31/2007	Oysho	Retailing
Oysho Italia, S.R.L.	100,00%	Milan - Italy	Global I.	01/31/2008	Oysho	Retailing
Oysho Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Oysho	Retailing
Oysho Österreich, GmbH	100,00%	Vienna - Austria	Global I.	01/31/2008	Oysho	Retailing
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Global I.	01/31/2008	Oysho	Retailing
Oysho Polska, Sp zo.o	100,00%	Warsaw - Poland	Global I.	01/31/2008	Oysho	Retailing
Oysho CIS, Ltd.	100,00%	Moscow-Russia	Global I.	12/31/2007	Oysho	Retailing
Oysho France, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Oysho	Retailing
Oysho MAGYARORSZAG, KFT	100,00%	Budapest - Hungary	Global I.	01/31/2008	Oysho	Retailing
Oysho Ro, Srl	100,00%	Bucarest-Romania	Global I.	01/31/2008	Oysho	Retailing
Oysho Ukraine, Llc	100,00%	Kiev-Ukraine	I.Global	01/31/2008	Oysho	Retailing
Oysho Deutschland, GmbH	100,00%	Hamburg - Germany	Global I.	01/31/2008	Oysho	Retailing
Often Portugal Conf. Lda.	50,00%	Lisbon - Portugal	Global I.	01/31/2008	-	Retailing
Grupo Massimo Dutti, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Venezuela, S.A.	100,00%	Caracas - Venezuela	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti France, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti UK, Ltd.	100,00%	London - United Kingdom	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Suisse, S.A.R.L.	100,00%	Friburgo - Switzerland	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Sverige, AB	100,00%	Stockholm - Sweden	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Norge, AS.	100,00%	Oslo - Norway	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Italia, S.R.L.	100,00%	Milan - Italy	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Ireland., Ltd.	100,00%	London - United Kingdom	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti USA, Ltd.	100,00%	New York - USA	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Danmark A/S	100,00%	Copenhagen - Denmark	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti CIS, Ltd.	100,00%	Moscow-Russia	Global I.	12/31/2007	Massimo Dutti	Retailing
Massimo Dutti Deutschland, GmbH	100,00%	Hamburg - Germany	Global I.	01/31/2008	Massimo Dutti	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Massimo Dutti Mexico, S.A. de C.V.	98,00%	Mexico DF - Mexico	Global I.	12/31/2007	Massimo Dutti	Retailing
BCN Diseños, S.A. de C.V.	98,00%	Mexico DF - Mexico	Global I.	12/31/2007	Massimo Dutti	Retailing
Zara Home Belgique, S.A.	100,00%	Brussels - Belgium	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Massimo Dutti	Dormant as of 01/31/08
Massimo Dutti Hong Kong, Ltd.	100,00%	Hong Kong - China	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Polska, Sp z.o.o.	100,00%	Warsaw - Poland	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Ro, Srl	100,00%	Bucarest-Romania	Global I.	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Macau Ltd.	100,00%	Macau-China	I.Global	01/31/2008	Massimo Dutti	Retailing
Massimo Dutti Ukraine, Llc	100,00%	Kiev-Ukraine	I.Global	01/31/2008	Massimo Dutti	Retailing
Pull & Bear España, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Global I.	12/31/2007	Pull & Bear	Retailing
Pull & Bear Belgique, S.A.	100,00%	Brussels - Belgium	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear France, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear Italia, S.R.L.	100,00%	Milan - Italy	Global I.	01/31/2008	Pull & Bear	Retailing
Pull&Bear Ceska Republika, S.R.O.	100,00%	Prague - Czech Republic	Global I.	01/31/2008	Pull & Bear	Retailing
Pull&Bear Ireland, Ltd.	100,00%	Dublin - Ireland	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear Magyarország Kft.	100,00%	Budapest - Hungary	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear Polska, Sp zo.o	100,00%	Warsaw - Poland	Global I.	01/31/2008	Pull & Bear	Retailing
Pull & Bear CIS, Ltd.	100,00%	Moscow-Russia	Global I.	12/31/2007	Pull & Bear	Retailing
Pull & Bear Uk Limited	100,00%	London - United Kingdom	I.Global	01/31/2008	Pull & Bear	Retailing
Pull & Bear Ro, Srl	100,00%	Bucarest-Romania	I.Global	01/31/2008	Pull & Bear	Retailing
Pull and Bear Ukraine, Llc	100,00%	Kiev-Ukraine	I.Global	01/31/2008	Pull & Bear	Retailing
Pull & Bear Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	I.Global	01/31/2008	Pull & Bear	Retailing
Pull & Bear Croatia, LTD	100,00%	Zagreb-Croatia	I.Global	01/31/2008	Pull & Bear	Retailing
Uterqüe, S.A.	100,00%	La Coruña - Spain	I.Global	01/31/2008	-	Centralized purchasing
Uterqüe España, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	-	Retailing
Bershka BSK España, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Bershka	Retailing
Bershka Portugal Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Bershka	Retailing
Bershka Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Bershka	Retailing
Bershka Mexico, S.A. de CV	97,00%	Mexico DF - Mexico	Global I.	12/31/2007	Bershka	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100,00%	Istanbul - Turkey	Global I.	12/31/2007	Bershka	Retailing
Bershka Belgique, S.A.	100,00%	Brussels - Belgium	Global I.	01/31/2008	Bershka	Retailing
Bershka France, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Bershka	Retailing
Bershka Suisse, S.A.R.L.	100,00%	Friburgo - Switzerland	Global I.	01/31/2008	Bershka	Retailing
Bershka Nederland, B.V.	100,00%	Amsterdam - The Netherlands	Global I.	01/31/2008	Bershka	Retailing
Bershka Italia, S.R.L.	100,00%	Milan - Italy	Global I.	01/31/2008	Bershka	Retailing
Bershka U.K., Ltd.	100,00%	London - United Kingdom	Global I.	01/31/2008	Bershka	Retailing
Bershka Ireland., Ltd.	100,00%	London - United Kingdom	Global I.	01/31/2008	Bershka	Retailing
Bershka Ceska Republica, S.R.O.	100,00%	Prague - Czech Republic	Global I.	01/31/2008	Bershka	Retailing
Bershka Croatia, Ltd.	100,00%	Zagreb-Croatia	I.Global	01/31/2008	Bershka	Retailing
Bershka Polska Sp Z O.O.	100,00%	Warsaw - Poland	I.Global	01/31/2008	Bershka	Retailing
Bershka Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	I.Global	01/31/2008	Bershka	Retailing
Bershka Carpati, Srl	100,00%	Bucarest-Romania	I.Global	01/31/2008	Bershka	Retailing
Bershka Ukraine, Llc	100,00%	Kiev-Ukraine	I.Global	01/31/2008	Bershka	Retailing
Bershka Magyaroszag Kft.	100,00%	Budapest - Hungary	I.Global	01/31/2008	Bershka	Retailing
Bershka Cis, Ltd	100,00%	Moscow-Russia	Global I.	12/31/2007	Bershka	Retailing
Stradivarius España, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Portugal, Conf. Unip. Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Polska, Sp zo.o	100,00%	Warsaw - Poland	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Ireland Limited	100,00%	Dublin - Ireland	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Italia SRL	100,00%	Milan - Italy	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius CIS, Ltd.	100,00%	Moscow-Russia	Global I.	12/31/2007	Stradivarius	Retailing
Stradivarius France, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Magyaroszag Kft.	100,00%	Budapest - Hungary	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Croatia, LTD.	100,00%	Zagreb-Croatia	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Ro, Srl	100,00%	Bucarest-Romania	Global I.	01/31/2008	Stradivarius	Retailing
Stradivarius Ukraine, Llc	100,00%	Kiev-Ukraine	Global I.	01/31/2008	Stradivarius	Retailing
Zara Home España, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara Home	Retailing
Zara Home Portugal, Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Zara Home	Retailing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Zara Home U.K., Ltd.	100,00%	London - United Kingdom	Global I.	01/31/2008	Zara Home	Retailing
Zara Home Hellas, S.A.	100,00%	Athens - Greece	Global I.	01/31/2008	Zara Home	Retailing
Zara Home Nederland, B.V.	100,00%	Amsterdam - The Netherlands	Global I.	01/31/2008	Zara Home	Retailing
Zara Home Mexico, S.A. de C.V.	98,50%	Mexico DF - Mexico	Global I.	12/31/2007	Zara Home	Retailing
Zara Home Italia, S.R.L.	100,00%	Milan - Italy	Global I.	01/31/2008	Zara Home	Retailing
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Global I.	01/31/2008	Zara Home	Retailing
Zara Home Francia, S.A.R.L.	100,00%	Paris - France	Global I.	01/31/2008	Zara Home	Retailing
Zara Home Ro, Srl	100,00%	Bucarest-Romania	Global I.	01/31/2008	Zara Home	Retailing
Zara Home CIS, Ltd.	100,00%	Moscow-Russia	Global I.	12/31/2007	Zara Home	Retailing
Zara Home Ukraine, Llc	100,00%	Kiev-Ukraine	Global I.	01/31/2008	Zara Home	Retailing
Zara Logística, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Logistics
Plataforma Europa, S.A.	100,00%	Zaragoza - Spain	Global I.	01/31/2008	Zara	Logistics
Plataforma Logística León, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Logistics
Plataforma Logística Meco, S.A.	100,00%	Madrid - Spain	Global I.	01/31/2008	Zara	Logistics
Pull & Bear Logística, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Massimo Dutti	Logistics
Bershka Logística, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Bershka	Logistics
Oysho Logística, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Oysho	Logistics
Stradivarius Logística, S.A.	100,00%	Barcelona - Spain	Global I.	01/31/2008	Stradivarius	Logistics
Zara Home Logística, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara Home	Logistics
Uterqüe Logística, S.A.	100,00%	La Coruña - Spain	I.Global	01/31/2008	-	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100,00%	Mexico DF - Mexico	Global I.	12/31/2007	Zara	Services
Zara Financiën B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Finance
Zara Mexico, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Finance
Zara Holding, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Holding company
Zalapa, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Holding company
Massimo Dutti Holding, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Massimo Dutti	Holding company
Liprasa Cartera, S.L.	98,00%	Madrid - Spain	Global I.	12/31/2007	Massimo Dutti	Holding company
ITX Merken, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Trademarks
ITX RE	100,00%	Ireland	Global I.	01/31/2008	Zara	Insurance
ITX Trading, S.A.	100,00%	Friburgo - Switzerland	Global I.	01/31/2008	Zara	Centralized purchasing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
ITX E-commerce	100,00%	Dublin - Ireland	I.Global	01/31/2008	Zara	E-Commerce
Goa-Invest, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Construction and real estate
Zara Vastgoed, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Real estate
Vastgoed Asia, Ltd.	100,00%	Hong Kong - China	Global I.	01/31/2008	Zara	Real estate
SNC Zara France Immobiliere	100,00%	Paris - France	Global I.	12/31/2007	Zara	Real estate
SCI Vastgoed Ferreol P03302	100,00%	Paris - France	Global I.	12/31/2007	Zara	Real estate
SCI Vastgoed France P03301	100,00%	Paris - France	Global I.	12/31/2007	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100,00%	Paris - France	Global I.	12/31/2007	Zara	Real estate
SCI Vastgoed Nancy P03304	100,00%	Paris - France	Global I.	12/31/2007	Zara	Real estate
Invercarpro, S.A.	100,00%	Madrid - Spain	Global I.	01/31/2008	Zara	Real estate
Robustae S.G.P.S. Unip. Lda.	100,00%	Lisbon - Portugal	Global I.	01/31/2008	Zara	Real estate
Lefties España, S,A,	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Real estate
Inditex Cogeneración, A.I.E.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Cogeneration plant
Inditex, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Dormant as of 01/31/08
Zara Italia, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Dormant as of 01/31/08
Fruminga, B.V.	100,00%	Breda - The Netherlands	Global I.	01/31/2008	Zara	Dormant as of 01/31/08
Zara, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Dormant as of 01/31/08
Zara, S.A.	100,00%	La Coruña - Spain	Global I.	01/31/2008	Zara	Dormant as of 01/31/08
Multigroup companies:						
Tempe, S.A.	50,00%	Alicante - Spain	Prop. I.	01/31/2008	Zara	Commercialization of shoes
Tempe México, S.A. de C.V.	50,00%	Mexico DF - Mexico	Prop. I.	12/31/2007	Zara	Commercialization of shoes
Tempe Logística, S.A.	50,00%	Alicante - Spain	Prop. I.	01/31/2008	Zara	Logistics
Tempe Brasil, Ltda.	50,00%	Sao Paulo -Brazil	Prop. I.	12/31/2007	Zara	Commercialization of shoes
Group Zara Australia Pty. Ltd.	50,00%	Sydney - Australia	Prop. I.	01/31/2008	Zara	Dormant as of 01/31/08
Associated companies:						
Naviera Elealva, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Celeste, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera del Miño, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera del Sil, A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Venus, A.I.E	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Berlín , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Covadonga , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Gran Sol , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing

Company	Effective % of ownership	Location	Consolidation method	Year end	Format	Activity
Naviera Guadiana , A.I.E.	49,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Manchuria , A.I.E.	46,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Llera , A.I.E.	50,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Nebulosa de Omega, A.I.E.	50,00%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Cabo Vilaboa C-1658, A.I.E.	49,50%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing
Naviera Cabo Domaio C-1659, A.I.E.	49,50%	Las Palmas - Spain	Equity Acc.	12/31/2007		Asset leasing

Appendix II- Art. 127 ter of the Spanish Companies Act

As required by Article 127 ter of the Spanish Companies Act, introduced by Law 26 of 17 July 2003, which amends Stock Market Law 24 of 28 July 1988, and the Revised Text of the Spanish 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:

Board member	Company tax number	Company name	% ownership	Post
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	A70126164	Uterqüe 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

Board member	Company tax number	Company name	% ownership	Post
Mr. Pablo Isla Álvarez de Tejera	ZME920824KM3	Zara México, S.A. de C.V.	0%	Board member
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 director
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	A15355290	Plataforma Logística Meco, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15108673	Pull&Bear España, S.A.	0%	Secretary, board member
Mr. Antonio Abril Abadín	A15458128	Pull&Bear Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15022585	Samlor, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A08478448	Skhuaban, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15568165	Stear, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A60348240	Stradivarius España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15137318	Stradivarius Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15234065	Tempe, S.A.	0%	Vice secretary, board member
Mr. Antonio Abril Abadín	A15058324	Trisko, S.A	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15346166	Uterqüe, S.A.	0%	Secretary, non-board member

Board member	Company tax number	Company name	% ownership	Post
Mr. Antonio Abril Abadín	A70126164	Uterqüe España, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A70126149	Uterqüe Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A08447427	Zara, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	A15022510	Zara España, S.A.	0%	Secretary, board member
Mr. Antonio Abril Abadín	A15710965	Zara Logística, S.A.	0%	Secretary, non-board member
Mr. Antonio Abril Abadín	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

Board member	Company tax number	Company name	% ownership	Post
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

Consolidated Management Report

1. Consolidated financial statements

1.1. FY2007 profit & loss statement

(Million euros)	Year 2007	Year 2006	Var %07/06
Net sales	9,435	8,196	15%
Cost of sales	(4,086)	(3,589)	
Gross profit	**5,349**	**4,607**	**16%**
Gross margin	56.7%	56.2%	
Operating expenses	(3,226)	(2,800)	15%
Other net operating income (losses)	27	(17)	
Operating cash flow (EBITDA)	**2,149**	**1,790**	**20%**
EBITDA margin	22.8%	21.8%	
Amortisation and depreciation	(497)	(433)	15%
Operating income (EBIT)	**1,652**	**1,356**	**22%**
EBIT margin	17.5%	16.5%	
Financial results	1	(14)	
Results from companies consolidated by equity method	(8)	(3)	
Income before taxes	**1,646**	**1,339**	**23%**
EBT margin	17.4%	16.3%	
Taxes	(388)	(330)	
Net income	**1,258**	**1,010**	**25%**
Net margin	13.3%	12.3%	
Minorities	7	8	
Net income attributable to the controlling company	**1,250**	**1,002**	**25%**
Net income margin	13,3%	12,2%	
Earnings per share, cents of euro (*)	**201**	**161**	**25%**

(*) Shares for EPS calculation 620.9 million for 2007 and 2006.

1.2. Consolidated Balance Sheet as of 31 January 2008

Assets (Million euros)	31 January 2008	31 January 2007
CURRENT ASSETS	**2,982**	**2,148**
Cash & cash equivalents	1,466	906
Receivables	464	364
Inventories	1,007	824
Other	45	55
NON CURRENT ASSETS	**4,124**	**3,594**
Tangible assets	3,192	2,801
Intangible assets	644	568
Financial investments	36	38
Other	253	187
Total assets	**7,106**	**5,742**

Liabilities	31 January 2008	31 January 2007
CURRENT LIABILITIES	**2,458**	**1,885**
Payables	2,087	1,740
Financial debt	371	145
NON CURRENT LIABILITIES	**430**	**387**
Financial debt	42	47
Deferred taxes	111	104
Other	277	235
SHAREHOLDERS' EQUITY	**4,217**	**3,471**
Equity attributable to the Group	4,193	3,448
Minority interests	24	22
Total liabilities & shareholders' equity	**7,106**	**5,742**

1.3. Consolidated Statement of Cash Flows

(Millions of euros)	FY 2007	FY 2006	Var % 07/06
Income before taxes	**1,646**	**1,339**	**23%**
Adjustments to income			
Depreciation and amortization	497	433	
Corporate income tax	(388)	(330)	
Deferred and prepaid tax	(33)	(13)	
Foreign exchange impact	2	0	
Other	34	61	
Funds from operations	**1,757**	**1,492**	**18%**
Changes in assets and liabilities			
Increase in inventories	(197)	(135)	
Increase in accounts receivable	(83)	(51)	
Decrease in current liabilities	341	92	
Changes in working capital	**60**	**(94)**	
Cash from operations	**1,817**	**1,397**	**30%**
Intangible assets investments	(88)	(79)	
Tangible assets investments	(850)	(784)	
Acquisitions of businesses	(7)	(29)	
Addition to other long-term financial investments	(10)	(6)	
Other assets investments	(27)	(16)	
Fixed assets sales and retirements	10	27	
Sale of long-term financial investments	31	0	
Capital expenditure	**(942)**	**(887)**	**6%**
Net decrease in long-term financial debt	(17)	(28)	
Net decrease in other long-term debt	16	(67)	
Net increase in current debt	215	(64)	
Dividends	(522)	(418)	
Other financing activities	1	0	
Cash used in financing activities	**(307)**	**(577)**	
Net increase in cash and cash equivalents	568	(67)	
Foreign exchange impact on cash & cash equivalents	(9)	(15)	
Cash and cash equivalents at beginning of the year	906	988	
Cash and cash equivalents at end of the year	**1,466**	**906**	**62%**

2 Comments on the consolidated results

The results for FY2007 reflect significant growth in sales and a strong operating performance, resulting in the Group improving its financial returns.

At FYE INDITEX operated 3,691 stores in 68 countries through seven different concepts: Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home.

INDITEX has made the decision to coordinate in full the product ranges and the retailing operations of Zara Childrenswear and Kiddy's Class. Due to this reason, operating figures from Kiddy's Class are now reported as part of Zara.

2.1. Sales

Net sales reached 9,435 million, an increase of 15% over the previous year. Sales growth in local currencies and constant perimeter has been 17%.

Number of stores and openings

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

Net openings			Total stores	
Concept	**2007**	**2006**	**31 january 2008**	**31 january 2007**
Zara	186	174	1,361	1,175
Pull and Bear	52	40	519	467
Massimo Dutti	27	30	426	399
Bershka	77	65	510	433
Stradivarius	77	41	381	304
Oysho	89	47	290	201
Zara Home	52	42	204	152
Total	**560**	**439**	**3,691**	**3,131**

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

	2007			2006		
Concept	**Co. Mag.**	**Franchises**	**Total**	**Co. Mag.**	**Franchises**	**Total**
Zara	1,231	130	**1,361**	1,077	98	**1,175**
Pull and Bear	457	62	**519**	420	47	**467**
Massimo Dutti	320	106	**426**	301	98	**399**
Bershka	458	52	**510**	405	28	**433**
Stradivarius	309	72	**381**	240	64	**304**
Oysho	274	16	**290**	194	7	**201**
Zara Home	187	17	**204**	140	12	**152**
Total	**3,236**	**455**	**3,691**	**2,777**	**354**	**3,131**

Selling area

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

squared meters

	31 january 2008	**31 january 2007**	**Var % 07/06**
Zara	1,290,035	1,138,287	13%
Pull & Bear	133,752	111,429	20%
Massimo Dutti	121,176	113,604	7%
Bershka	180,852	152,327	19%
Stradivarius	98,351	77,580	27%
Oysho	39,717	27,540	44%
Zara Home	50,611	36,533	39%
Total	**1,914,493**	**1,657,299**	**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% in FY2007. 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 2007 and 2006, converted to a fixed exchange rate.

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

	2007	2006
First Half	7%	5%
Second Half	3%	6%
Full Year	5%	5,5%

The like-for-like calculation includes 65% of FY2007 store sales (i.e. sales in stores opened for the whole of fiscal years 2007 and 2006).

Sales by concept

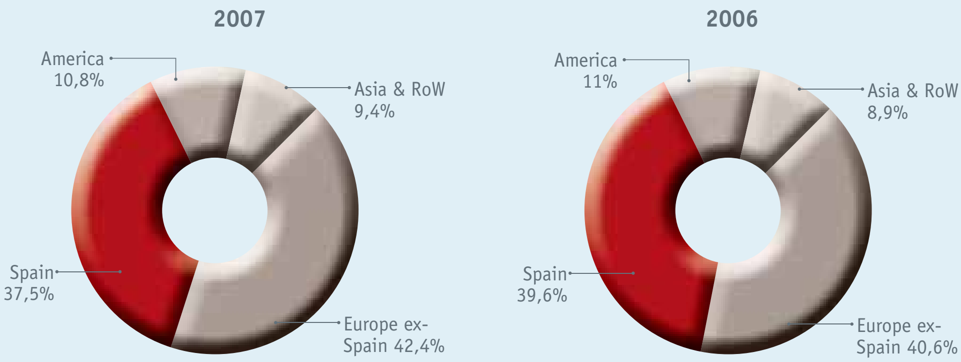
Net sales by concept in FY2007 and FY2006 are shown in the table below:

	"Net Sales (Million €)"			% on total	
Concept	**2007**	**2006**	**Var % 07/06**	**2007**	**2006**
Zara	**6,264**	5,534	13%	**66,4%**	67,5%
Non-Zara	**3,171**	2,662	19%	**33,6%**	32,5%
Pull and Bear	**614**	519	18%	**6,5%**	6,3%
Massimo Dutti	**696**	614	13%	**7,4%**	7,5%
Bershka	**925**	798	16%	**9,8%**	9,7%
Stradivarius	**521**	428	22%	**5,5%**	5,2%
Oysho	**213**	165	30%	**2,3%**	2,0%
Zara Home	**201**	139	45%	**2,1%**	1,7%
Total sales	**9,435**	**8,196**	**15%**	**100,0%**	**100,0%**

Zara sales growth in local currencies and constant perimeter has been 16%.

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 the area with the highest growth on store sales.

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

% International store sales

Concept	**2007**	**2006**
Zara	72,0%	70,5%
Non-Zara	44,3%	40,0%
Pull and Bear	45,3%	40,2%
Massimo Dutti	51,3%	49,4%
Bershka	49,6%	45,0%
Stradivarius	24,9%	19,7%
Oysho	40,4%	35,1%
Zara Home	44,9%	35,4%
Total	**62,5%**	**60,4%**

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

	2007		2006	
Concept	**Company managed**	**Franchised**	**Company managed**	**Franchised**
Zara	88%	12%	91%	9%
Non-Zara	85%	15%	86%	14%
Pull and Bear	88%	12%	90%	10%
Massimo Dutti	72%	28%	72%	28%
Bershka	90%	10%	95%	5%
Stradivarius	84%	16%	81%	19%
Oysho	94%	6%	97%	3%
Zara Home	92%	8%	93%	7%
Total	**87%**	**13%**	**89%**	**11%**

The change in FY2007 over FY2006 is mainly due to the agreement to operate the Venezuelan subsidiary on a franchised basis with a local partner.

2.2. Gross profit

The gross profit rose to €5,349 million, 16% higher than the previous year. The Gross margin has reached 56.7% of sales (56.2% in FY2006).

Should currencies remain at current level, INDITEX considers a stable level as its best estimate for the FY2008 gross margin based on that of FY2007.

2.3. Operating income (EBIT)

FY2007 EBITDA came to €2,149 million, an increase of 20% compared to the previous year, reaching 22.8% of sales (21.8% in FY2006).

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

(Million euros)	2007	2006	Var %
Personnel expenses	1,473	1,251	18%
Rental expenses	855	718	19%
Other operating expenses	898	831	8%
Total operating expenses	**3,226**	**2,800**	**15%**

At FYE 2007 the number of employees reached 79,517 (69,240 at FYE2006).

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 cancelable lease payments amounted to €2,432 million at FYE2007.

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 €1,652 million, 22% higher, reaching 17.5% of sales (16.5% in FY2006).

EBIT by concept

The breakdown of EBIT by concept is the following:

	EBIT by concept (Million €)			% EBIT on sales		EBIT by concept on total (%)	
Concept	**2007**	**2006**	**Var % 07/06**	**2007**	**2006**	**2007**	**2006**
Zara	1,116	911	23%	17.8%	16.5%	67.5%	67.1%
Non-Zara	536	446	20%	16.9%	16.7%	32.5%	32.9%
Pull and Bear	99	78	27%	16.1%	15.0%	6.0%	5.8%
Massimo Dutti	106	81	31%	15.2%	13.1%	6.4%	5.9%
Bershka	154	131	17%	16.6%	16.5%	9.3%	9.7%
Stradivarius	119	98	22%	22.9%	23.0%	7.2%	7.2%
Oysho	40	39	3%	18.8%	23.7%	2.4%	2.9%
Zara Home	18	18	1%	9.2%	13.2%	1.1%	1.4%
Total EBIT	**1,652**	**1,356**	**22%**	**17.5%**	**16.5%**	**100.0%**	**100.0%**

2.4. Net income and net income attributable to the company

Income before taxes stands at €1,646 million, 23% higher than in FY2006.

Financial results break down as follows:

(Million euros)	2007	2006
Net financial income (losses)	15	4
Foreign exchange gains (losses)	(14)	(18)
Total	**1**	**(14)**

Net income reached €1,258 million, an increase of 25%.

Net income attributable to the controlling company came to €1,250 million, an increase of 25% over FY2006.

Dividend proposal

Inditex's Board of Directors will propose to the General Shareholders Meeting a dividend of €1.05 cents per share, €652 million according to current number of shares, 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		
Description	**2007**	**2006**
Net income	1,250	1,002
Shareholders equity - previous year	3,448	2,899
Shareholders equity - current year	4,193	3,448
Average equity	3,821	3,174
Return on equity	**33%**	**32%**

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

Description	2007	2006
Ebit	1,652	1,356
Average capital employed		
Average shareholders' equity	3,821	3,174
Average net financial debt (*)	0	0
Total average capital employed	3,821	3,174
Return on capital employed	**43%**	**43%**

(*) Zero when net cash

ROCE by concept

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

Roce by concept

Concept	2007	2006
Zara	41%	40%
Non Zara	50%	50%
Pull & Bear	47%	43%
Massimo Dutti	44%	33%
Bershka	59%	55%
Stradivarius	74%	86%
Oysho	39%	55%
Zara Home	20%	33%
Total	**43%**	**43%**

3 Comments on the balance sheet

INDITEX Consolidated Balance Sheet maintains a similar structure to that it showed at FYE2006, without net financial debt and with a negative operating working capital position, a consequence of the business model.

Net financial position

The net financial position is shown in the table below:

Net financial cash (DEBT) (MillIon euros)	31 january 2008	31 january 2007
Cash & cash equivalents	1,466	906
Current financial debt	(371)	(145)
Non current financial debt	(42)	(47)
Net financial cash (DEBT)	**1,052**	**714**

Working capital

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

Working capital (million euros)	31 january 2008	31 january 2007
Inventories	1,007	824
Receivables	464	364
Payables	(2,087)	(1,740)
Other	45	55
Operating working capita	**(571)**	**(497)**

4 Comments on the cash flow statement

The summary of the cash flow statement is the following:

Cash flow summary

(millons euros)	FY2007	FY2006	Var % 07/06
Net income	**1,646**	**1,339**	**23%**
Funds from operations	1,757	1,492	18%
Changes in working capital	60	(94)	
Cash from operations	**1,817**	**1,397**	**30%**
Net capital expenditure	(942)	(887)	6%
Free cash flow	**876**	**510**	**72%**
Dividends	(522)	(418)	
Net debt decrease	(355)	(93)	
Others	**1**	**-**	

Funds from Operations grew by 18% in 2007, reaching €1,757 million. Working Capital financing has taken Cash from Operations to €1,817 million, 30% higher than in FY2006.

Capital Expenditure for the FY amounted to €942 million, 6% higher.

Free cash flow increased by 72% to €876 million and a €522 million dividend was paid to shareholders.

5 Start of 2008

During the beginning of 1H2008 sales performance is according to Management expectations. Store sales in local currencies have increased by 17% from 1 Feb. to 23 Mar. 2008.

Inditex will launch a new accessories concept in the Second Half 2008 under the name Uterqüe. The new concept expects to open between 20 and 30 stores in 2008.

The store openings plan for FY2008 is the following:

2008 Openings forecast

Concept	Range			% International	Total 2007
Zara	145	-	155	85%	186
Pull and Bear	65	-	75	80%	52
Massimo Dutti	45	-	55	75%	27
Bershka	85	-	95	85%	77
Stradivarius	75	-	85	70%	77
Oysho	85	-	95	65%	89
Zara Home	40	-	50	80%	52
Uterqüe	20	-	30	20%	-
Total net openings	**560**	**-**	**640**		**560**

Approximately 70% of the contracts have been signed but in some cases openings may not take place in 2008.

Expected CAPEX in FY2008 is approximately €1 billion. The opening of new stores and the refurbishment of existing stores will represent the majority of the CAPEX.

6 Other information

Research and development expenditure

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

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

Treasury shares

Inditex holds 2,374,809 treasury shares of fifteen eurocents par value each, while the group companies do not hold any shares in the Parent Company.

a. Capital structure

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

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

b. Restrictions on the transferability of shares

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

c. Significant share capital holdings

According to the information provided on the website of the Spanish National Securities Market Commission and information provided to Inditex by the shareholder, Rosp Corunna Participaciones Empresariales, S.L., the holders of the most significant share capital holdings in the Company at 31 January 2008, excluding board members, were as follows:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Voting rights as percentage of total
Mr. Amancio Ortega Gaona (1)	0	369,600,063	59.294%
Ms. Rosalía Mera Goyenechea (2)	0	36,550,000	5.864%
CAPITAL RESEARCH AND MANAGEMENT COMPANY (3)	0	32,204,298	5.166%

(*) Through:

Name or company name of direct shareholder	Number of direct voting rights	Voting rights as percentage of total
(1) GARTLER, S.L.	311,727,598	50.010%
(1) PARTLER 2006, S.L.	57,872,465	9.284%
(2) ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	36,550,000	5.864%
(3) INSTITUCIONES DE INVERSIÓN COLECTIVA GESTIONADAS	32,204,298	5.166%

According to the information provided by the Spanish National Securities Market Commission on its website, at 31 January 2008 Chase Nominees Ltd., as custodian bank/international depository agent, holds a 10% direct share capital holding in the Company.

d. Restrictions on voting rights

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

e. Associative agreements

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

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

Appointment and replacement of members of the Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

a) When they reach 68 years of age. Nonetheless, the board members occupying the position of Managing Director or General Manager must offer their resignation to the Board of Directors when they reach 65 years of age, being able to continue as board members until they reach the age of 68. Exceptionally, the aforementioned rules will not apply in the case of the founding Chairman of the Company, Mr. Amancio Ortega Gaona.

b) When they resign from the executive positions with which they were associated on being appointed as board members.

c) When they are subject to any of the circumstances of incompatibility or prohibition established by law, in the Company's articles of association, or in the Board of Directors Regulations. In particular, independent board members must offer their resignation to the Board of Directors and formalize, where necessary, their resignation when they are subject to any of the circumstances of incompatibility stipulated in Article 7.1.(c) of these Regulations or when they subsequently become directors in more than four listed companies in addition to the Company.

d) When they receive a serious warning from the Control and Audit Committee for having breached their obligations as board members.

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

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

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

Modification to the articles of association

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

g. Powers of the members of the Board of Directors

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

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

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

Details of powers:

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

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

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

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

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

6.- Release, endorse, cede or transfer by any means other than endorsement, accept and sign, demand consent for, guarantee, require cession of provision of, collect, discount and pay bills of exchange, promissory notes, cheques, money orders, and any other trade notes. Intervene in the approval or payment thereof. Contest such bills or notes or make the necessary declarations and responses in the relevant protests stating the reasons for not accepting or paying bills and notes charged to the Company. Actively or passively act in all types of legal proceedings, actions or negotiations, pre-court and court proceedings resulting from contesting or not paying charges, as well as any other activity established in the Exchange and Cheque Law or other applicable legislation.

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

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

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

10.-Appear in deeds on the incorporation, modification, merger or winding-up of all types of entities and companies, and attend on behalf of the Company assemblies, meetings, or ordinary and extraordinary meetings. Intervene in such meetings, cast votes in the appropriate manner, whatever the issues in question, and accept agreements. Accept positions and appointments and, in general, exercise on behalf of the Company any rights it is granted.

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

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

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

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

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

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

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

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

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

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

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

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

h. Significant agreements

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

i. Agreements between the Company and its directors and management or employees

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

In its meeting held on 9 June 2005 and having obtained a favourable report from the Appointments and Remunerations Committee, Inditex's Board of Directors agreed and approved ten (10) contracts with guarantee or golden parachute clauses in favour of certain members of the Board of Directors including two executive board members (the First Vice Chairman and Managing Director, and the General Secretary and Secretary to the Board of Directors).

The aforementioned agreements establish that if an employment contract is terminated due to, among others, unfair dismissal or resignation as a result of certain causes (including a change in control of the Company, on the condition that a significant number of the Company's governing boards are reappointed, or a change in the content and objectives of its principal activity), the director will be entitled to compensation equivalent to two full years' salary, calculated based on the salary of the last year worked.

Annex I

Income statement: quarterly results

	FY2007				FY2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	2,039.4	2,084.5	2,508.8	2,802.0	1,714.9	1,760.8	2,190.0	2,530.6
Cost of sales	(889.1)	(937.0)	(1,017.0)	(1,242.8)	(759.2)	(806.7)	(906.0)	(1,117.4)
Gross profit	**1,150.3**	**1,147.5**	**1,491.8**	**1,559.2**	**955.7**	**954.0**	**1,284.0**	**1,413.2**
Gross margin	56.40%	55.05%	59.46%	55.64%	55.73%	54.18%	58.63%	55.84%
Operating expenses	(752.4)	(774.4)	(798.3)	(901.3)	(639.6)	(656.3)	(694.5)	(809.9)
Other net operating income (losses)	(0.6)	11.3	(0.2)	16.1	(3.4)	(5.7)	(10.8)	2.8
Operating cash flow (EBITDA)	**397.2**	**384.4**	**693.3**	**673.9**	**312.7**	**292.1**	**578.8**	**606.1**
EBITDA margin	19.48%	18.44%	27.63%	24.05%	18.23%	16.59%	26.43%	23.95%
Amortisation and depreciation	(116.6)	(122.8)	(121.1)	(136.3)	(99.1)	(101.5)	(108.7)	(124.1)
Operating income (EBIT)	**280.7**	**261.7**	**572.2**	**537.6**	**213.5**	**190.6**	**470.1**	**482.0**
EBIT margin	13.76%	12.55%	22.81%	19.19%	12.45%	10.82%	21.47%	19.05%
Financial results	(3.9)	2.0	4.0	(1.1)	(4.6)	4.8	(2.2)	(12.0)
Results from companies consolidated by equity method	(0.5)	(1.3)	(0.9)	(4.8)	(0.2)	0.1	(1.3)	(1.4)
Income before taxes	**276.3**	**262.4**	**575.3**	**531.7**	**208.7**	**195.4**	**466.6**	**468.7**
Taxes	(75.7)	(68.1)	(140.4)	(103.7)	(57.4)	(50.8)	(124.3)	(97.0)
Net income	**200.6**	**194.3**	**434.9**	**428.0**	**151.3**	**144.6**	**342.3**	**371.7**
Minorities	1.0	1.2	2.7	2.6	0.8	0.6	3.2	3.7
Net income attributable to the controlling company	**199.6**	**193.1**	**432.2**	**425.4**	**150.5**	**144.0**	**339.1**	**367.9**
Net income margin	9.79%	9.26%	17.23%	15.18%	8.78%	8.18%	15.48%	14.54%

Annex II

Summary of net openings and net stores opened by quarter

Number of net store openings in each quarter

Concept	1Q 2007	2Q 2007	3Q 2007	4Q 2007	total 2007	1Q 2006	2Q 2006	3Q 2006	4Q 2006	total 2006
Zara	45	25	70	46	**186**	53	28	52	41	174
Pull & Bear	8	17	19	8	**52**	13	8	5	14	40
Massimo Dutti	3	2	15	7	**27**	7	7	10	6	30
Bershka	12	11	31	23	**77**	16	16	17	16	65
Stradivarius	20	7	26	24	**77**	5	10	14	12	41
Oysho	14	21	29	25	**89**	8	16	12	11	47
Zara Home	**12**	**8**	**16**	**16**	**52**	**12**	**9**	**8**	**13**	**42**
Total stores	**114**	**91**	**206**	**149**	**560**	**114**	**94**	**118**	**113**	**439**

Number of stores by the end of each quarter

Concept	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2006	2Q 2006	3Q 2006	4Q 2006
Zara	1,220	1,245	1,315	**1,361**	1,054	1,082	1,134	1,175
Pull & Bear	475	492	511	**519**	440	448	453	467
Massimo Dutti	402	404	419	**426**	376	383	393	399
Bershka	445	456	487	**510**	384	400	417	433
Stradivarius	324	331	357	**381**	268	278	292	304
Oysho	215	236	265	**290**	162	178	190	201
Zara Home	**164**	**172**	**188**	**204**	**122**	**131**	**139**	**152**
Total stores	**3,245**	**3,336**	**3,542**	**3,691**	**2,806**	**2,900**	**3,018**	**3,131**

Annex III

Stores by concept and country as at 31 January 2007

	Zara	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Inditex
Andorra	1	1	1		1	1	1	**6**
Argentina	7							**7**
Austria	10							**10**
Bahrein	1	1	1			1		**4**
Belgium	23	1	19	7			4	**54**
Brazil	22							**22**
Canada	14							**14**
Chile	6							**6**
China	12		2					**14**
Colombia	4							**4**
Costa Rica	2							**2**
Croacia	1			1				**2**
Cyprus	4	3	2	5	5	1	2	**22**
Czech Republic	5	2		2				**9**
Denmark	4							**4**
Dominican Republic	1							**1**
El Salvador	2	1		1				**4**
Estonia	2			1				**3**
Finland	4							**4**
France	109	6	13	36	9	1	10	**184**
Germany	62		6					**68**
Greece	48	16	10	19	4	10	5	**112**
Guatemala	1	1		1				**3**
Hungary	4	2		1	1	1		**9**
Iceland	2							**2**
Indonesia	6		3					**9**
Ireland	8	7	1	5	2			**23**
Israel	15	17						**32**
Italy	74	26	6	29	19	46	18	**218**
Japan	29							**29**
Jordan	2	2	2	1	2	1	1	**11**
Kuwait	5	4	2	2	3	3	2	**21**
Latvia	3	2		2				**7**
Lebanon	2	3	3	2	2	2	1	**15**
Lithuania	4	2		4				**10**

	Zara	Pull and Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Inditex
Luxembourg	2		1					**3**
Malaysia	5	2	4					**11**
Malta	1	5		1				**7**
Mexico	47	27	24	39		27	12	**176**
Monaco	1							**1**
Morocco	3		2		3			**8**
Netherlands	12			5			1	**18**
Norway	2		2					**4**
Oman	1				1	1	1	**4**
Panama	2							**2**
Philippines	5							**5**
Poland	18	7		8	6	6		**45**
Portugal	73	57	40	39	32	27	18	**286**
Puerto Rico	1							**1**
Qatar	2	2	2	1	1	1	1	**10**
Romania	2	2		1	1	1		**7**
Russia	18	9	4	6	9	3	1	**50**
Saudi Arabia	18	3	7	16	18	3	4	**69**
Serbia	3	1	1	1	1	1		**8**
Singapore	5	2	3					**10**
Slovakia	1	1		1	1			**4**
Slovenia	4	2		2	3			**11**
Spain	491	286	235	243	243	143	106	**1,747**
Sweden	9		3					**12**
Switzerland	9		4	1				**14**
Thailand	3		2					**5**
Tunisia	1							**1**
Turkey	22	9	9	9	9	8	7	**73**
UAE	5	4	6	4	5	2	4	**30**
United Kingdom	56		6	5			5	**72**
Uruguay	2							**2**
USA	29							**29**
Venezuela	9	3		9				**21**
Total	**1,361**	**519**	**426**	**510**	**381**	**290**	**204**	**3,691**

Mr Pablo Isla, First Deputy Chairman and C.E.O. of Inditex
during the AGM 2007.

Annual Corporate Governance Report

Annual Corporate Governance Report of industria de diseño textil, S.A.

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 2007, which commenced on 1 February 2007 and closed on 31 January 2008, 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 addressing 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.

The contents and structure of this Report adjust, for the first time, to the model laid down by Circular 4/2007 dated 27 December of the CNMV, whereby the model of the annual corporate governance report of listed companies is amended in order to adjust its contents to the recommendations of the Unified Code.

This Annual Corporate Governance Report is subject to publication as a relevant fact and is available on our corporate web site: 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 it 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 operation and the rules governing the conduct of its members and they include, 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. During the year in course, the Board of Directors resolved, in the meeting held on 11 December 2007, to amend these Regulations in order to adjust them to the new recommendations of the Unified Code.

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. Finally in order to adjust its contents to the new recommendations on these issues laid down in the Unified Code, these Regulations were amended as a result of a resolution passed by the AGM in the meeting held on 17 July 2007.

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 (Royal Decree) 1333/2005, of 11 November, implementing the Stock Exchange Act in the matter of market abuse.Código Ético de Conducta del Grupo Inditex

Code of Conduct of the Inditex group

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 report, confidentially, of any potentially relevant irregularity which, in their opinion would mean a breach of the Guidelines.

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 operation and the rules of conduct of its members.

A Ownership structure

A.1. Share capital of the Company

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

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 Ibex 35 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 Index since October 2002 and of the FTSE ISS Corporate Governance index, since its launch 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 directorss

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 2008, excluding the directors, were those shown below:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% Total of share capital
PARTLER 2006, S.L.	57,872,465		9.284%
Rosalía Mera Goyenechea (1)	0	36,550,000	5.864%
Capital research and management company (2)	0	32,204,298	5.166%

(*) through:

Name or company name of the direct owner of the shareholding	Number of direct voting rights	% on total voting rights
(1) Rosp Corunna Participaciones Empresariales, S.L.Capital research and management company (2)	36,550,000	5.864%
(2) Instituciones de Inversión Colectiva Gestionadas	32,204,298	5.166%

Likewise, it must be stated that according to the information provided by the CNMV on its web site as at 31 January 2008, Chase Nominees Ltd., in its capacity as international custodian/depository bank, possessed a direct stake of 10% in the capital of the company

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 regarding the significant shareholder Capital Research and Management Company.

A.3.Members of the board of directors of the Company, who have voting rights attached to shares in the Company

As at 31 January 2008, 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 voting rights	Number of in-direct voting rights (*)	% on the total vote rights
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	39,800	0	0.006%
Carlos Espinosa de los Monteros Bernaldo de Quirós	30-05-1997	16-07-2004	37,000	0	0.006%
GARTLER, S.L.	12-12-2006	17-7-2007	311,727,598	0	50.010%
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	5,000	0	0%
Antonio Abril Abadín	12-12-2002	18-07-2003	76,015	0	0.012%

(*) Through:

Name or company name of the direct holder of the stake	Number of direct voting rights	% on the total voting rights
GARTLER, S.L.	311,727,598	50,01%
PARTLER 2006, S.L.	57,872,465	9,284%
Total	369,600,063	59,294%

Total %of voting rights in the possession of the Board of Directors	**59,327%**

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	Total %
on the vote rights	100,000	0	100,000	0.016%
Antonio Abril Abadín	21,500	0	21,500	0.003%

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. 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 affecting the company pursuant to the provisions of art. 112 of the LMV (Stock Exchange Act) reported to the company. Shareholders bound by the agreement. Existence of concerted actions among its shareholders. Modification or breaking of those pacts or agreements or concerted actions has occurred, indicate it expressly:

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

A.7. Legal or natural person who exerts control or could exert control over the company in accordance with Article 4 of the Spanish Stock Exchange Act.

Name or company name
Mr. Amancio Ortega Gaona

Remarks
Through GARTLER, S.L., and PARTLER 2006, S.L., he 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 % on share capital
2,374,809	0	0.380%

List the significant variations, in accordance with the provisions of Royal Decree 1362/2007, occurred during the fiscal year

During the fiscal year there have not been any significant variations in accordance with the provisions of Royal Decree 1362/2007 in the treasury stock of the company.

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 17 July 2007 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 seven 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 18 July 2006.

A.10. Legal or by-law restrictions on the exercise of voting rights, as well as any legal restrictions on the acquisition or transfer of interests in the share capital

All the shares of the company have the same voting and financial rights and there are no legal or by-law 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.

A.11. Annual General Meeting of Shareholders Agreement for the adoption of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007

There has been no Annual General Meeting of Shareholders agreement for the adoption of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007.

B Administrative structure of the Company

B.1 Board of Directors

Apart from 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.

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	General Meeting
Pablo Isla Álvarez de Tejera		First Deputy Chairman	9-06-2005	15-07-2005	General Meeting
Carlos Espinosa de los Monteros Bernaldo de Quirós		Second Deputy Chairman	30-05-1997	16-07-2004	General Meeting
GARTLER, S.L.	Flora Pérez Marcote	Ordinary member	12-12-2006	17-7-2007	General Meeting
Francisco Luzón López		Ordinary member	28-02-1997	16-07-2004	General Meeting

Name or company name of the director	Representative	Office on the Board	Date of first appointment	Date of latest appointment	Election procedure
Irene Ruth Miller		Ordinary member	20-04-2001	18-07-2006	General Meeting
Juan Manuel Urgoiti López de Ocaña		Ordinary member	02-01-1993	15-07-2005	General Meeting
José Luis Vázquez Mariño		Ordinary member	30-03-2005	15-07-2005	General Meeting
Antonio Abril Abadín		Secretary	12-12-2002	18-07-2003	General Meeting
Total number of Directors			**9**		

Vacancies occurred on the Board of Directors during the period

No vacancies have occurred on the Board of Directors during the fiscal year.

B.1.3. Members of the board and their different categories

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
Total number of Executive Directors		**3**
Total % of Board members		**33.33%**

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

Non-executive proprietary 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
Total number of Proprietary Directors		**1**
Total % of Board members		**11.11%**

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)
José Luis Vázquez Mariño	Nomination and Remuneration Committee	(2)
Total number of Independent Directors	**4**	
Total % of Board members	**44.44%**	

(2) A brief description of the profile of the non-executive independent members of the Board of Directors of the company is given below:

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

Has been 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 Holding and of Mercedes Benz España, and he sits on the board of Acciona, S.A.

Francisco Luzón López. (60)

He has been 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 driving force 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 Executive Deputy Chairman of Banco de Santander for Latin America, World Deputy Chairman of Universia and Chairman of the Social Board of the University of Castilla-La Mancha.

Irene R. Miller. (55)
She has been 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.

José Luis Vázquez Mariño. (63)
He has been 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, S.A., and La Voz de Galicia, S.A.

Other non-executive directors

Name or company name of the board member	Committee which proposed that member's appointment
Juan Manuel Urgoiti López de Ocaña (1)	Nomination and Remuneration Committee
	1
Total number of other Non-Executive Directors	**1**
Total % of Board members	**11.11%**

Juan Manuel Urgoiti López de Ocaña. (68)
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.)

Reasons why they cannot be considered proprietary or independent, as well as their ties, whether with the company or its management or with its shareholders

Nombre o denominación del consejero	Reasons	Company, officer or shareholder with whom the director has ties
Juan Manuel Urgoiti López de Ocaña	Being executive director of Banco Gallego, S.A., wherein any executive director of the company has the status of non-executive proprietary director	Antonio Abril Abadín

Variations that, where appropriate, have occurred during the period in the category of each director

No variations have occurred during the period in the category of each director.

B.1.4. Reasons why proprietary directors have been appointed at the behest of shareholders whose stake is less than 5% in the share capital

No proprietary directors have been appointed at the behest of shareholders whose stake is less than 5% in the share capital.

Formal petitions for presence on the Board have been received from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

There have been no formal petitions for presence on the Board from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

B.1.5 Withdrawal of any director from his/her position before the expiry of his/her term of office

No director has withdrawn before the expiry of his/her term of office.

B.1.6.Powers delegated to the managing director(s)

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 belonging 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 to 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 that 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 organise 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 workplaces, complying with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and execute 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 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 answer 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.1.7. 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
	UTERQÜE ESPAÑA, S.A.	Director
	ZARA ESPAÑA, S.A.	Director
	ZINTURA, S.A.	Chairman
	MASSIMO DUTTI, S.A.	Director
	ZARA MÉXICO, S.A. DE C.V.	Director
Mr. Antonio Abril Abadín	MASSIMO DUTTI, S.A.	Secretary non member
	BERSHKA ESPAÑA, 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.	Secretary non member
	INDITEX COGENERACIÓN, A.I.E.	Director
	INVERCARPRO, S.A.	Secretary non member

Name or company name of the director	Company name of the entity of the group	Office
	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
	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
	PLATAFORMA LOGÍSTICA MECO, S.A.	Secretary non member
	PULL&BEAR ESPAÑA, S.A.	Secretary Director
	PULL&BEAR LOGÍSTICA, S.A.	Secretary non member
	SAMLOR, S.A.	Secretary non member
	SKHUABAN, S.A.	Secretary non member
	STEAR, S.A.	Secretary non member
	STRADIVARIUS ESPAÑA, S.A.	Secretary non member
	STRADIVARIUS LOGÍSTICA, S.A.	Secretary non member
	TEMPE, S.A.	Deputy Chairman Director
	TRISKO, S.A.	Secretary non member
	UTERQÜE, S.A.	Secretary non member
	UTERQÜE ESPAÑA, S.A.	Secretary non member
	UTERQÜE LOGÍSTICA, 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
	ZARAHELLAS, S.A.	Director
	ZARA VASTGOED, B.V,	Director
	ZARA HOLDING, B.V.	Supervisory Director
	ZARA LUXEMBOURG, S.A.	Administrador
	ZARA NORGE, AS	Director
	ZARA SUISSE, SARL	Director
	ZARA SVERIGE, AB	Director
	G. ZARA URUGUAY	Director
	ZARA VENEZUELA, S.A.	Director

B.1.8. Directors of the Company that are members of the boards of directors of other companies that are listed 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	BANCO SANTANDER, S.A.	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.1.9 Rules established regarding the number of boards of which the directors may be members

Pursuant to the provisions of Article 12.2 of the Board of Directors´ Regulations, the Board may not propose or appoint any persons to fill up a vacancy on the Board who already perform the duties of Directors at the same time, in more than four listed companies other than the Company.

B.1.10. The Company's general policies and strategies reserved for approval by the Board in plenary session

The Board in plenary session reserves for approval these general policies strategies:

- -The investment and financial policy
- -The definition of the structure of the group of companies
- -The corporate governance policy
- -The corporate social responsibility policy
- -The strategic or business Plan, as well as management targets and annual budgets
- -The policy regarding compensation and evaluation of performance of senior management
- -The risk management and control policy as well as the periodic monitoring of the internal information and control systems
- -The dividends policy as well as the treasury stock policy and especially, the limits thereto

B.1.11. Total remuneration of the directors that has accrued during the year

a) In the company that is the subject of this report

Item - remuneration	Amounts in thousands of euros
Fixed remuneration	1,654
Variable remuneration	1,103
Per diems	
Provisions set forth in the Articles of Association	
Options on shares and/or other financial instruments	
Others	1, 736
Total	4,493

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 category of directorr

Category of director	By company	By group
Executive	3,613	25
Non-executive Proprietary	90	
Non-executive Independent	646	
Other Non-executive	144	
Total	**4,493**	**25**

d) With respect to the income attributed to the controlling company

Total remuneration of directors (thousands of euros)	4.518
Total remuneration of the directors / income attributed to the controlling company (expressed in %)	0.36%

B.1.12 Members of senior management who are not in turn executive directors and indicate the 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
Jesús Echevarría Hernández	Communication and Institutional Relations General Manager
Ignacio Fernández Fernández	Tax Director
Agustín García-Poveda Fernández	European Division General Manager
Begoña López-Cano Ibarreche	HR General Manager
Abel López Cernada	Import, 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
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)	**10,179**

B.1.13 Indemnity or golden parachute clauses, 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. Contracts reported to and/or approved by the governing bodies of the company or of its group

Númber 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.

Pursuant to the provisions of the new Article 116 bis of the Stock Exchange Act, introduced in Act 6/2007, of 12 April, which came into force on 13 August 2007, the Board of Directors will submit to the upcoming Annual General Meeting of Shareholders a report to explain the matters covered in said article, among which are the agreements reached between the company and its management officials (or employees) whereby a compensation is granted in case of resignation or wrongful dismissal or where the employment agreement terminates on account of a public tender offer, i.e, the AGM shall be informed about any agreements including indemnity or golden parachute provisions. Additionally, this report shall be included in the relevant fact reporting the Agenda of the Annual General Meeting of the Shareholders.

B.1.14. 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.-A report on the remuneration policy shall be approved every year by the Board, on the proposal of the Nomination and Remuneration Committee, and it shall cover at least the issues of fixed and variable remuneration, as well as the remaining relevant terms of the employment agreements of those who discharge senior management duties as executive directors The report shall focus on the remuneration policy approved by the Board for the year in course, and, where appropriate, on the one expected for years to come, especially pointing out the most significant changes of said policy as regards the one for the previous year.

4.- The report referred in item 3 above will be published on the corporate web page and shall be made available to all shareholders upon holding the Annual General Meeting, but any issue which might entail the disclosure of sensitive business information shall be eliminated thereof.

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).

The Board in plenary session has reserved the right to approve the following decisions

- At the proposal of the chief executive of the company, the appointment and if applicable, the dismissal of senior managers, as well as their compensation clauses.

-The remuneration of directors and, in case of officials, their additional remuneration on account of their executive duties and other terms which must be observed under their employment agreements

B.1.15. Approval by the Board of Directors of the compensation policy and the matters covered thereby

-Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom.

- Variable compensation items.

- Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost.

-Terms and conditions that must be included in the agreements with executive directors performing senior management duties, which will include:

  - Term,

  - deadlines for notice, and

  - any other provisions regarding employment premiums, as well as indemnity or golden parachute provisions in case of early termination of the employment agreement between the company and the executive director.

B.1.16. Submission of a report on director compensation policy to the vote of the shareholders at a General Meeting of Shareholders for consultative purposes. Relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Role of the Nomination and Remuneration Committee, external advice and the name of the external advisors that have given such

Pursuant to the provisions of Article 28 of the Board of Directors´ Regulations, the Nomination and Remuneration Committee prepares and submits to the Board a report on the remuneration of directors. Said report, which covers the issues of both fixed and variable remuneration, as well as the remaining relevant terms of the employment agreements of those who discharge senior management duties as executive directors, is not subject to the consultative vote of the General Meeting of Shareholders but it is published on the corporate web site and is made available to all shareholders with the notice of the Annual General Meeting, thus ensuring transparency and full disclosure thereof.

B.1.17. Identity of the members of the board who are, in turn, members of the board of directors or senior managers of companies that possess 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.	Chairman of the Board
Amancio Ortega Gaona	PARTLER 2006, S.L.	Chairman of the Board

Relevant relationships 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 entities of the group.

B.1.18. Regulations of the Board of Directors that have been amended during the fiscal year

During this fiscal year, a new Revised Text of the Board of Directors´ Regulations has been approved by the Board in the meeting held on 11 December 2007, in order to adjust the contents thereof to the recommendations of the Unified Code on Good Governance.

The main amendments introduced in the regulations are listed below:

a) The powers of the Board of Directors have been extended, and it reserves the right to approve the general policies and strategies of the Company, to pass certain decisions such as the appointment and eventual dismissal of senior managers and the approval of the remuneration and other terms and conditions to be included in the agreements with the executive directors, as well as the assessment of the performance of the Board itself, of its Committees and the performance by the chief executive of his/her duties.

b) The duties of the Audit and Control Committee have been extended and it will assume, inter alia, the duty of regularly reviewing the risk control and management policy of the Company, as well as the power to report to the Board about the creation or acquisition of shares in special purposes vehicles.

c) Likewise, the duties of the Nomination and Remuneration Committee have also been enhanced, and it will take part in the designation of independent directors, being in charge of proposing their appointment; it will propose to the Board the remuneration policy for directors and senior managers and it will submit to the Board a report about the appointment and removal of senior managers as well as about the assessment of the performance of his/her duties by the chief executive of the Company.

d) Should the Chairman of the Company be also the chief executive thereof, the independent director in charge of coordination will be entitled to request the calling of a Board meeting and to include new items on the agenda, and he/she will be charged with coordinating and echoing the concerns of external directors.

e) Directors are bound to report to the Board and, where appropriate, place their position at the disposal thereof, where certain circumstances which might affect the credit or good name of the Company would occur.

f) Should directors end their tenure prior to the end of their term of office, for whatever reasons, they shall explain the reasons for such early termination in a letter to be addressed to all Board members; likewise, in case of independent directors, the Nomination and Remuneration Committee shall issue a prior report about the proposed early termination.

g) Regarding the issue of remuneration, it is provided that the Board of Directors should approve on an annual basis, a report on the remuneration policy, to be published on the website and to be made available to all shareholders upon holding the Annual General Meeting of Shareholders

h) Regarding the corporate governance information which must be kept updated on the corporate website, all the information about directors, both professional and biographical, is also included.

B.1.19. Procedures for the appointment, re-election, assessment and removal of directors. Authorised bodies, procedures to follow and 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, and regarding independent directors, by the relevant proposal of the Nomination and Remuneration Committee

Where 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 hold the office of director simultaneously in more than four listed companies other than the Company. In case the vacancy which needs to be filled in is that of an independent director, the Board may not propose or appoint any persons who do not satisfy the criteria of independence established in section 1(c) of Article 7 of the Board of Directors' Regulations.

The proposals for re-election of directors that the Board of Directors decides to submit to the General Meeting will have to be subject 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, and regarding independent directors, the relevant proposal of the Nomination and Remuneration Committee.

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, and regarding independent directors, to make such proposals so that they are approved by the Board 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.

Additionally, the Board of Directors shall explain to the Annual General Meeting in charge of appointing or ratifying the appointment of directors the nature thereof, and said nature shall be confirmed or, where appropriate, reviewed in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee.

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

a) To advise on the proposal, where appropriate, of the early dismissal of an independent director

b) To annually advise the Board on the evaluation of the performance of the chief executive of the Company.

B.1.20. Cases under which the resignation of directors is mandatory

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 have an impact on the reputation or name of the company or otherwise jeopardise the interest of the company or when the reasons for their appointment cease to exist.

Likewise, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors.

B.1.21. Function of chief executive of the company. Measures that have been adopted to limit the risks of the accumulation of power in a single person

Mr. Amancio Ortega Gaona is the founder, majority shareholder and Chairman of the Board of Directors of Inditex and therefore, he is a proprietary 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.

Rules established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.

Pursuant to the provisions of Article 18.2 of the Board of Directors´ Regulations, where the Chairman of the Board is also the chief executive of the Company, the coordinator shall have the following additional powers: i) to call the meeting of the Board and the addition of new items on the agenda, being the Chairman bound to comply with these requests and ii) to coordinate and to echo the concerns of external directors.

B.1.22. Requirement of enhanced majorities, other than the legal majorities, for any type of decision. 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 of 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.1.23. Specific requirements, different from those relating to the directors, in order to be appointed chairman

There are no specific requirements, different from those relating to the directors, in order to be appointed chairman.

B.1.24. 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.1.22 above.

B.1.25. Age limits for the 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.1.26. Limited term of office for independent directors

Neither the Articles of Association nor the Board of Director's Regulations establish a limited term of office for the independent directors.

B.1.27. Measures to correct the scant number of female directors. Procedures established by the Nomination and Remuneration Committee in order to ensure that recruitment processes are free from any implied bias hindering the selection of female directors and which allow for the free search for women

Pursuant to the provisions of Article 15.2 (k) of the Board of Directors´ Regulations, the Committee shall ensure when filling up any new vacancies and when appointing new Directors that the recruitment process does conform to the prohibition of any manner of discrimination.

B.1.28. Formal procedures for the granting of 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.1.29. 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	6
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	5
Number of meetings of the Nomination and Remuneration Committee	5

B.1.30. Number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance

Number of non attendance of directors during the fiscal year	2
% of non attendance over the total votes during the fiscal year	3.7%

B.1.31. Previous certification of individual and consolidated annual accounts presented for approval to the board. People who have certified the individual and consolidated annual accounts of the company, for their preparation by the Board

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.1.32. 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, without the presence of the management of the company, 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 provides that:

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.1.33. The Secretary of the Board and board member

Mr. Antonio Abril Abadín, the General Counsel and Legal Advisor of the Board of Directors, sits on the Board and also on the Executive Committee thereof.

B.1.34. Procedures for appointment and removal of the Secretary of the Board

Pursuant to the provisions of Article 10 of the Board of Directors´ Regulations the appointment and removal of the Secretary of the Board shall be approved by the Board in plenary session, prior report of the Nomination and Remuneration Committee; the Secretary need not be a director.

-The Nomination and Remuneration Committee reports on the appointment.

-The Nomination and Remuneration Committee reports on the dismissal.

-The Board in plenary session approves the nomination.

-The Board in plenary session approves the dismissal.

The Secretary of the Board is responsible for specially ensuring compliance with good governance recommendations.

B.1.35. 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.1.32, in order to review the annual accounts of the company.

- 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 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 2007.

B.1.36. Change of external auditors of the Company during the fiscal year. Identification of the outgoing and incoming external auditor

No changes have occurred regarding the external auditor of the Company during the fiscal year.

B.1.37. Works carried out by the company and/or its group other than auditing and; 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)	40	320	360
Amount of work other than that of auditing / total amount charged by the auditing firm (in %)	10,65%	9,36%	9,49%

B.1.38. Observations or qualifications on the audit report of the Annual Accounts for the prior fiscal year. Reasons given by the Chairman of the Audit and Control Committee to explain the content and scope of such observations or qualifications

No observations or qualifications were included into the audit report of the Annual Accounts for the prior fiscal year.

B.1.39. .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 consecutive years	6	6

	Company	Group
No of years audited by the current audit firm / no. of years that the company has been audited (in %)	26,09%	33,33%

B.1.40. 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.1.41. Procedures whereby they 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.1.42. 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 ("Running 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.1.43. Rules requiring Directors to inform the Company —and, if applicable, resign from their position— in cases in which the credit and reputation of the Company may be damaged

Pursuant to the provisions of Article 24.4 of the Board of Directors´regulations, Directors shall inform the Board and, if appropriate, place their office at the disposal of the Board and formalize the relevant resignation, if said body deems it convenient, when circumstances that may harm the name and reputation of the company concur in them or, in any other way, jeopardize the company's interests, as well as when the reasons for their appointment disappear.

B.1.44. Members of the Board of Directors that have informed the Company that they have been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for the commission of any of the crimes covered in Article 124 of the Spanish Corporation Act

None of the members of the Board of Directors has informed the Company that he/she has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for the commission of any of the crimes covered in Article 124 of the Spanish Corporation Act.

B.2 Committees of the Board of Directors

B.2.1. 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 as at 31 January 2008:

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	Ordinary Member
Francisco Luzón López	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member
José Luis Vázquez Mariño	Ordinary Member

Audit Committe

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.

Composition of the Audit and Control Committee as at 31 January 2008:

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.

Composition of the Nomination and Remuneration Committee as at 31 January 2008:

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.2.2. Duties of the Audit and Control Committee

-Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.

-Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.

-Ensure the independence and effectiveness of the internal audit function; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit department; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports

-Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.

-Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.

-Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.

-Ensure the independence of the external auditor.

-In the case of groups of companies, favour the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.

B.2.3. Description of the organisational and working rules, as well as the 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.

B.2.4. Advisory and consultative powers of each one of the committees and the 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:

a. To report to the General Meeting of Shareholders 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 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;

c. 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.

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 assignments 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 the Annual Activities Report, 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 periodically review the risk control and management policy, which may contain, at least, the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks and the systems of information and internal control.

i. To review 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.

o. To draw up an annual report on the activities of the Audit and Control Committee.

p. To supervise the functioning of the company's web page regarding the provision of information about corporate governance.

q. To report to the Board of Directors about the creation or, as the case may be, acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature.

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:

a. To prepare and review the criteria that must be followed for the composition of the Board of Directors, and to select the candidates;

b. To advise on proposed nominations, and where appropriate, on the re-election of directors and, in case of independent directors, to submit said proposals to the Board of Directors for approval, 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 internal positions (Chairman, Deputy Chairman or Chairmen, CEO, Secretary and Deputy Secretary) of the Board of Directors;

d. To propose to the Board the members that should form part of each of the Committees;

e. To advise on the appointment and dismissal of senior managers as proposed by the chief executive to the Board of Directors

f. To annually advice the Board on the evaluation of the performance of the chief executive of the Company, and also of the Nomination and Remuneration Committee itself;

g. To propose the remuneration policy for directors and senior managers to the Board, and to ensure compliance with the remuneration policy set forth by the Company

h. 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

i. 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.

j. To draw up and keep up-to-date a contingency plan to cover those vacancies in key positions within the company or its group.

k. To ensure that when filling up any new vacancies and when appointing new Directors the recruitment process should conform to the prohibition of any manner of discrimination. ´

l. To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements.

B.2.5. Existence of rules for the Board's committees, the place where they are available for consultation and any modifications introduced during the year. Voluntary preparation of an annual report on the activities 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 full 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.

Said Regulations have been amended, as resolved by the Board of Directors in a resolution passed in the meeting held on 11 December 2007, in order to include therein the recommendations of the Unified Code on Good Governance, as set forth in section B.1.18 hereof

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 2007; likewise, the Nomination and Remuneration Committee drew up an annual report on the activities it performed during fiscal year 2007.

B.2.6. Composition of the executive committee as regards the nature of its members

The Executive Committee is made up of three executive directors and four non-executive directors, three of them independent, and thus its composition reflects a level of participation of the directors, according to their categories, which is similar to that on the Board itself.

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 2007 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 FY2007 pursuant to the definitions, criteria and groupings provided in Order EHA/3050/2004, of 15 September , to which refer the Instructions to complete this Annual Report included in Annex I of the Circular 1/2004, of 1 April, in the wording provided by Circular 4/2007, of 27 December, of CNMV, whereby the form of the annual corporate governance report of listed companies is amended.

C.1. Relevant transactions carried out by the Company with directors, significant shareholders or shareholders represented on the Board, or with persons related thereto

The Board in plenary session has reserved for itself the power to approve, after a favourable report of the Audit and Control Committee or any other committee entrusted with such duty, transactions carried out by the Company with directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto.

C.2. 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 FY2007, 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	(6,104)
Contractual	Assets leases	279
Contractual	Rendering of services	4,544

C.3. 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 officers of the Company, reference is made to the provisions of sections B.1.11 and B.1. 12, 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.1.12 hereof have the right to receive, under the above referred stock ownership plan, a maximum number of 441,426 shares, should the terms and conditions thereunder provided be met. During the fiscal year, the Stock ownership plan was partially settled in the interest of one Official of the company, and 14,574 shares were handed out.

In addition to the above referred remunerations, below is a breakdown of the transactions carried out by and between the company (or entities of its group) and the directors or officers of the company, all of which have been conducted in ordinary market conditions and within the ordinary course of business of the company:

Nature of the transaction	Type of transaction	Amount (thousands €)
Contractual	Compensation	560
Contractual	Rendering of services	231

No relevant transactions have occurred between the Company or any entity of its group and the directors or officers of the Company.

C.4. 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

A breakdown of 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:

Entity	Brief description of the transaction	Amount thousands €)
Joint ventures	Purchase of goods	221,135

C.5. 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.6. 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 exists 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 proprietary 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:

a) 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;

b) 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 any 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

c) 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 it 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:

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:

a) Suppliers, external workshops not being part of the company and significant contractors for goods or services, or their Directors and general proxies.

b) Agents and franchisees of the Inditex group, or their Directors and general proxies.

c) 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.

d) 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.

C.7. Companies of the Group listed in Spain

Only one company of the Group is listed in Spain.

D Systems for control of risks

D.1. Risk policy of the company and/or of its group, detailing and assessing the 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 regularly in order to keep it updated by including the amendments regarding the evolution of the Group. The different corporate areas and business lines take a 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	X	
	Regulations		X
	Image and reputation	X	X
	Human resources	X	X
Internal	Operations	X	X
	Financial		X
	Information for the decision making		X
	Technology and information systems	X	
	Governance and management	X	

1. Business environment

These are risks stemming from external factors, connected with the activity of the Group.

This category encompasses the risks regarding the difficulty in adjusting to the environment or market in which the company operates. 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 feasibility research for 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 the Group is not only based upon the management of new openings, but also on improvements in the efficiency and effectiveness of the markets, business lines and stores already existing, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the current business.

In line with the foregoing, the expansion policy and the multi-brand format of the Group represent a way to diversify this risk, which downplays the global exposure to this risk of the market.

2. Regulations

Those are risks regarding the enforcement of the various laws and regulations to which the Group is exposed in the different countries where it is present

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 for each country or geographic zone and with the legal external advisors in same. In Section D.4 hereunder, the legislation that usually affects the Group in those countries where it operates, is identified.

Additionally, the Corporate Social Responsibility Department regularly 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

Those are the risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the Society in general.

These risks arise out of a potential improper management of the aspects regarding the social responsibility and sustainability, the responsibility on account of the composition of products, 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 implantation 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 improper behaviours by third parties. Said programme specifies the review procedures which secure the gathering of information and evidences on the minimum working conditions that all external manufacturers and workshops must comply with.

In such sizable and visible organisations as those 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, public authorities...).

The Group, through its Division of Communication and Institutional Relations, responsible for the centralized management of the communications with third parties, sets out the procedures and protocols required to minimize this risk. 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.

Moreover, the large experience gained by the Group, given its long international career, allows it to minimize the risk attached to the difficulty in adapting its products and operative to the different social and cultural realities, uses and special features of specific markets, by setting up the right policies which allow it to identify and as the case may be, implement the required measures.

4. Human Resources

The main risks in the human resources area are those arising out of the likelihood of inappropriate positioning, 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 said risk, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel. It has also developed a regular training programme 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 broaden their experience in the different areas of the Organisation

On the other hand, the work system implemented within the Organization favours the transfer of knowledge between the relevant employees in the different areas, thus minimizing the risk linked to depending excessively on the knowledge of key personnel. Additionally, the use of career development, training and compensation policies seeks to retain key employees.

To ensure the appropriate labour environment, the Human Resources department is governed by a series of acting rules which are thoroughly reviewed in the Social and Environmental Performance Report.

5. Operations

The main operational risks the Group has to face up to arise out of a potential difficulty in recognizing and taking in the ongoing changes in fashion trends, manufacturing, supplying and putting on the market new models meeting customers´ expectation.

The Group reduces the exposure to this risk 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 designer team, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows cutting the manufacturing and delivery terms as well as to reduce the stock volume, while the reaction capacity that allows the introduction of new products throughout the season, is kept.

Given the relevance that an efficient logistics management has on the appearance of such risks, the Group conducts a review of all the factors which may have a negative impact on the target of achieving the maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

The risk arising out of the interruption of the transaction is linked with the likely occurrence of extraordinary events beyond the control of the Group (catastrophes, fires, strikes of haulers or suppliers, discontinuance in the supply of power or fuel, 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 and in external operators charged with transporting the goods. The distribution of the finished product is based upon logistics centres independent for each of the formats, except for Zara which currently has four main centres 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 risk exposure, by keeping high levels of protection in all its distribution centres, together with insurance policies covering both damage incurred by the stock and loss of profit in case of any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan envisages investing in new distribution centres or in the extension of the existing ones, so as to minimize the risk linked to the logistics planning and sizing. Additionally, significant investments are carried out towards the improvement and automation within the existing centres so as to increase their capacity and efficiency.

To minimize the risks attached to the quality of finished product, the Group resorts to different monitoring systems based upon defined standards which are implemented within the production line, both as regards goods that the Group manufactures and those bought from external manufacturers.

To reduce exposure to the risk arising out of an improper customer satisfaction and service, the Group applies standard store service procedures, training and monitoring programmes for store managers and assistants, and communication channels available for customers in order to ensure the quality of the sale and post sale service.

The Group reduces the risk linked to the real estate management, regarding the search and selection of business premises, through the monitoring of local markets where it operates by specialised teams. Moreover, the assessment of new launchings is under the supervision of a committee in which the General Division of Expansion takes part.

6. Financial

The activities of the Group are subject to various financial risks. Included in this category are risks regarding the improper management of exchange rates, cash management and sundry, such as credit or interest rates risks.

To control the exchange rate risk on future commercial transactions and assets and liabilities recorded in currencies other than the one used by the Company, companies of the Group use forward exchange contracts. The Group manages each currency's net position by using external forward foreign currency contracts or other financial instruments which minimize the exposure of the Group to such risk. Thus, the purchase of goods and stock takes place in part through orders placed to foreign suppliers in US dollars. Pursuant to the current exchange rate management policies, the Management of the Group deals in derivatives, mainly in forward contracts, to cover the variations of the cash flow linked to the exchange rate.

In addition, the Group follows the policy of keeping coverage of the estimated transactions, especially imports and exports of goods, for each subsequent season

The Group has various investments in foreign businesses, the net assets of which are exposed to exchange rate risk. The foreign exchange risk over the net assets of transactions abroad is managed pursuant to the guidelines and policies set out by the Management of the Group.

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

Where there is objective evidence that the Group shall not be able to collect any and all sums owed by debtors within the original terms of the debt, a provision is made for impairment of trade receivables. The amount of the provision charge is recognized on the Profit and Loss account.

The Group is not exposed to significant liquidity and interest rate 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

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

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 the decision making

The risks hereunder included are those linked to the appropriate information at all levels: transactional and operative, financing-accounting, management, budgeting and control.

These are not significant risks in relative terms, although the various departments of the Group and especially the Management Control Department, which reports to the Financial Division, are directly responsible for producing and supervising the quality of such information. Moreover, 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.

In addition, the consolidated Annual Accounts and those of each and every relevant company are subject to review by the independent auditors who are also in charge of carrying out certain audit works regarding the financial information. Likewise, as regards the most significant companies of the Group, independent auditors are requested to issue recommendations on internal control.

8. Technology and information systems

The risks hereunder covered are those linked to the technical infrastructure and the efficient management of information and of the computing and robotic networks. The risks connected with the physical and logical safety of the systems are also included.

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 entail a breach of the 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.2. Materialization during the fiscal year of the various types of risks affecting the Company and/or its Group. Circumstances giving rise to them and operation of the control of systems established

The risks described in section D.1 above are inherent in the business model and the activity of the Group; therefore they are always present somehow, throughout each financial year. However, none of them has materialized in such a way as to have any significant impact on the Organisation during last fiscal year.

D.3. Committee or other governing bodies responsible for establishing and supervising these mechanisms of control. Functions.

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

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 process of the financial information and of the internal control systems of the Group, to check the appropriate type and integrity of said systems, 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 Organisation.

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 Organisation and the Audit and Control Committee, in relation to those matters that are responsibility of Internal Audit.

3.- The Steering Committee

The Steering 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.4. Processes of compliance with the various regulations that affect the company

Among the external risks that affect the Group, a specific category described 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 legislation 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 legislation 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.

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 reorganisation, 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.

j) To approve the transactions entailing an effective amendment of the corporate objects and those whose effect is equivalent to that of the liquidation of the Company.

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 of Shareholders established in the Articles of Association. Differences with the minimum requirements foreseen in the Spanish Corporation Act (SCA)

	Quorum % different from that established as a general rule in Art. 102 of the SCA	Quorum % different from that established in art. 103 of the SCA for special cases covered therein
Quorum required on 1st call	50% of the subscribed voting stock	
Quorum required on 2nd call		

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 enhanced quorum may not be deemed to be a restriction on the control by the Company, since it is only applicable to first calls

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. Differences with the Spanish Corporation Act for the passing of corporate resolutions

There are no differences with the Spanish Corporation Act for the passing of corporate resolutions.

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.

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. With regard to the information made available to shareholders from notice of the Meeting, these two issues below are established in addition to the provisions of the SCA:

a) The full text of all the proposed resolutions that the Board of Directors submits to the AGM for debate and approval regarding the various items of the agenda; and

b) The following information regarding directors whose ratification or appointment is proposed: i) professional profile and biography; ii) other Boards of Directors where they sit, whether in listed companies or otherwise (except for Boards of property holding companies of the director in question or of his/her next of kin); iii) the category to which they belong, and in case of proprietary directors, stating the shareholders they represent or with whom they have links; iv) date of their first appointment and, as the case may be, of any further appointments to sit on the Board of Directors, and v) the shares in the company and stock options they hold.

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.

Proxies at the General Meeting

Section E.10 deals with the issue of proxies at the General Meeting.

E.4. Measures taken 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 full text of the proposed resolutions that the Board of Directors submits to the deliberation and approval of the General Meeting in relation to the different items on the agenda, and all the information regarding directors whose ratification or appointment is proposed pursuant to the provisions of the Board of Directors´ Regulations. 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 informa-

tion, 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, shareholders may gather any other information they may need regarding the General Meeting through the Company´s web page or through the Individual Shareholders´ Department telephone number to be established for that purpose, which shall be appropriately disseminated.

The Board of Directors must provide the required information except (i) where the Chairman considers that the publicity of the information requested may be detrimental to the Company´s best interests, (nevertheless, this exemption may not be claimed where the request is supported by shareholders representing at least twenty five (25) per cent of the corporate capital; (ii) where the information or clarification requested do 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) where the information or clarification requested is not considered reasonably necessary in order to reach an opinion over those matters raised to the Meeting or, if by any means, it is considered abusive; or (iv) where legal provisions or regulations so provide.

The shareholders' requests for information shall be answered by the Board of Directors itself, by any member thereof, by the Secretary, even if he is not a member of the Board, or by any other person expressly empowered by the Board for this purpose.

Under the terms provided in Law the requests for information must 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 due to the proximity to the date of the Meeting, cannot be answered prior to said Meeting or those that are submitted during the same shall be answered during the General Meeting, in accordance with the criteria stated in these Regulations or, where appropriate, in the shortest period of time as of the date on which the Meeting was held and always, within the maximum term provided by the Law for this purpose.

Those answers given to significant questions and put at shareholders' disposal prior to the date on which the meeting is set to be held, shall be at the disposal of the shareholders attending the meeting at the beginning of the same, and shall also be disseminated though 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.

E.5. Chairmanship of the General Meeting of Shareholders and measures adopted to ensure the independence and good working 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 by a resolution passed by the AGM in the session held on 17 July 2007, in order to include the recommendations of the Unified Code regarding said body, which apply to the Company. In particular, the following amendments were made:

i) It shall be incumbent on the Annual General Meeting of Shareholders to approve, where appropriate, such transactions which involve the effective amendment of the corporate objects and those whose effect may be equivalent to the liquidation of the Company.

ii) Regarding the information to be made available to the shareholders from notice of the AGM, all the details about directors whose ratification or appointment is proposed shall be included, pursuant to the provisions of Article 40 (l) of the Board of Directors´ Regulations (as per the provisions of recommendation 28 of the Unified Code, which is covered under section E.3 above) ,

iii) It is provided that those matters which are essentially independent shall be put to an independent vote, this rule being especially implemented in case of appointment or ratification of directors, which shall be subject to vote individually, and in the case of amendment of the Articles of Association, where each Article or group of Articles essentially independent shall be put to vote.

iv) Although this practice had been already accepted, it is expressly provided that financial intermediaries who appear to be shareholders but who are actually nominees acting on behalf of other customers may divide their vote in order to cast it pursuant to the directions of said customers.

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
			Electronic vote	others	
17-07-2007	0.04%	74.99%	0.028% (1)		**75.04%**

(1) A total number of four shareholders cast remote vote by electronic means, and five did so by post mail.

E.8. Resolutions passed in the General Meetings held in the year to which this report refers and the percentage of votes with which each resolution was passed

The General Meeting of Shareholders of Inditex, in its meeting held on 17 July 2007 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 2006, ended 31 January 2007.

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 2006 (ended 31 January 2007), laid by the Board of Directors at its meeting held on 20 March 2007 and signed by all the directors were approved.

This resolution was passed with the vote for of 99.66% 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 2006, ended 31 January 2007, 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 2006 (ended 31 January 2007), laid by the Board of Directors at its meeting held on 20 March 2007 and signed by all the directors were approved

The discharge of the members of the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) from liability in respect of their management for fiscal year 2006 was also approved.

This resolution was passed with the vote for of 99.66% 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 2006 (ended 31 January 2007) was approved ,in accordance with the Balance Sheet previously approved, in the amount of five hundred and fifty eight thousand two hundred and eighty two euros, to be distributed as shown below:

	Thousands of euros
To voluntary reserve	34,684
To dividends	523,598
TOTAL	558,282

It is resolved to pay the shares with the right to dividends the gross amount of eighty-four cents per share as ordinary dividend; the dividend shall be paid to shareholders as of 1 August 2007, 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 with the vote for of 99.99% of the voting quorum.

Fourth.- Ratification and appointment of Director.

The appointment of GARTLER, S.L., holder of the Spanish Tax Identification number (C.I.F) ES B-70080601 was approved and ratified. The registration details of the new director are lodged with the Companies Register, so far represented by Ms Flora Pérez Marcote to hold the office of Ordinary Member of the Board of Directors, as resolved by said body during the session held on 12 December 2006 and to designate GARTLER, S.L. to hold the office of director for the five-year term provided in the Articles of Association as of the date of this Annual General Meeting, which shall name the natural person charged with the performance of the duties of the position.

This resolution was passed with the vote for of 99.89% 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, 2007 and ending on January 31st, 2008.

This resolution was passed with the vote for of 99.99% of the voting quorum.

Sixth.- Proposed amendment of the General Meeting of Shareholders´ Regulations to adapt them to the Unified Code on Good Governance: Preliminary part and Articles 6 (Powers of the General Meeting), 9 (Information available from notice) and 22 (Voting of the proposed resolutions).

It was resolved to amend the Preliminary part, the paragraphs and letters below stated in Articles 6, 9 and 22 of the General Meeting of Shareholders´ Regulations which shall hereinafter read as is shown below, while all other paragraphs and letters of the affected articles shall remain unchanged:

a) Preliminary :

These Regulations develop the legal and statutory rules relating to the General Meetings of Shareholders regulating in greater detail the preparation and quorum of the Meetings and the ways in which shareholders can exercise their voting rights when they are called and held. Their aim is to encourage and facilitate the participation of the shareholders in the General Meeting in order to contribute to a transparent and informed formation of the Company's will. For the drafting of these Regulations, the appropriate legal and statutory rules have been taken into account, as well as the recommendations of the Unified Code on Good Governance and the best practices of the listed companies in the environment of the Company.

b) Article 6.- Powers of the General Meeting

In accordance with the provisions of the Articles of Association, the General Meeting is authorized to pass all kinds of resolutions concerning the Company and, in particular, it is granted with the following exclusive powers:

j) To approve those transactions which might entail an effective amendment of the corporate purpose and those whose effect may be equivalent to the liquidation of the Company.

c) Article 9.- Information available from notice

From the publication of the notice, the Company shall make available to the shareholders the following information:

b) The full text of the proposed resolutions that the Board of Directors submits to the deliberation and approval of the General Meeting in relation to the different items on the agenda, and all the information regarding directors whose ratification or appointment is proposed, pursuant to the provisions of the Board of Directors´ Regulations. As an exception, the Board of Directors may omit the publication of those proposals not required by the Law or By-laws to be put at the shareholders' disposal from the date of the notice calling to the General Meeting, whenever concurrent justified reasons advise against their previous publication.

d) Article 22.- Voting of the proposed resolutions.

1.- Once the part where shareholders can speak is through and answers are given in accordance with the provisions of these Regulations, the proposals regarding the items on the agenda or those brought about by shareholders in the course of the meeting, which are not legally required to be included on the agenda, shall be voted.

Those matters which are essentially independent shall be put to an independent vote, this rule being especially implemented in case of appointment or ratification of directors, who shall be subject to vote individually, and in the case of amendment of the Articles of Association, where each article or group of articles essentially independent shall be put to vote.

5.- Financial intermediaries who appear to be shareholders but who are actually nominees acting on behalf of other customers may divide their vote in order to cast it pursuant to the directions of said customers."

This resolution was passed with the vote for of 99.99% of the voting quorum.

Seventh.- Authorization to the Board of Directors for the derivative acquisition of own shares.

Authorization to the Board of Directors, 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 18 July 2006.

Eighth.- Granting of powers for the implementation of resolutions.

It was resolved to delegate to the Board of Directors, expressly empowering it to be substituted by the Executive Committee or by any of its members, of 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, it was resolved 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.

The full text of these resolutions is made available to the public as of 17 July 2007 on the corporate website (www.inditex.com) and also on the web site of CNMV.

E.9. By-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders.

There are no by-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders.

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 represen-*

ted 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. Institutional investors policy 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 site

The address of the corporate website 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 categories 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.

F Degree to which the good governance recommendations have been followed

Degree of conformance of the company to the recommendations of the Unified Code on Good Governance.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

See sections: A.9, B.1.22, B.1.23, E.1 and E.2.

Complies ☒ Explain ☐

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;

b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: C.4 and C.7

Complies Complies in part ☐ Explain ☐ Not applicable ☒

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Meeting of Shareholders for approval:

a) The transformation of listed companies into holding companies through "subsidiarization" or reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;

b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the company.

Complies ☐ Complies in part ☐ Explain ☒

The Company, in the amendment to the General Meeting of Shareholders´ Regulations approved by said body on 17 July 2007, has not deemed it fit to include in said regulations the case covered under paragraph a) of this Recommendation on the grounds that it is too casuistic and hardly applicable to the circumstances of the Inditex Group.

4. Detailed proposals of the resolutions to be adopted at the Annual General Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of the General Meeting of Shareholders.

Complies ☒ Explain ☐

5. Matters that are substantially independent are voted on separately at the General Meeting of Shareholders, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, which shall be voted on individually;

b) In the event of amendments of the Articles of Association, to each article or group of articles that are substantially independent of one another.

See section: E.8

Complies ☒ Complies in part ☐ Explain ☐

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for different clients can divide their votes in accordance with the instructions given by such clients.

See section: E.4

Complies ☒ Explain ☐

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it operates and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies ☒ Complies in part ☐ Explain ☐

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organisation required to put it into practice, and to ensure that Management meets the goals set while pursuing the company's interest and corporate purpose. As such, the Board in plenary session reserves for itself the right to approve:

a) The company's policies and general lines of strategy, and in particular:

i) The Strategic or business Plan as well as the management goals and annual budgets;

ii) The investment and financing policy;

iii) The design of the structure of the corporate group;

iv) The corporate governance policy;

v) The corporate social responsibility policy;

vi) The policy for compensation and assessment of the performance of senior managers;

vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.

viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

See section: B.1.14.

ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

See section: B.1.14.

iii) The financial information that the Company must periodically disclose publicly due to its status as listed company.

iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Meeting of Shareholders.

v) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1st. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;

2nd. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;

3d. The amount thereof is not higher than 1% of the annual revenues of the Company

It is recommended that related-party transactions be approved by the Board after favourable report of the Audit and Control Committee or, where appropriate, such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should be absent from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the Board in plenary session.

See Sections C.1 and C.6

Complies ☒ Complies in part ☐ Explain ☐

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no fewer than five and no more than fifteen members.

See section: B.1.1

Complies ☒ Explain ☐

10. External, proprietary and independent directors, are a vast majority on the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.2, A.3, B.1.3 and B.1.14.

Complies ☒ Complies in part ☐ Explain ☐

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders

See section B.1.3

Complies ☒ Explain ☐ Not applicable ☒

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1st. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2nd. In case of companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Complies ☒ Explain ☐

13. The number of independent directors represents at least one-third of the total number of directors.

See section: B.1.3

Complies ☒ Explain ☐

14. The status of each director is explained by the Board at the General Meeting of Shareholders at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: B.1.3 and B.1.14.

Complies ☒ Complies in part ☐ Explain ☐

15. Where female directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:

a) Recruitment processes do not have an implied bias that hinders the recruitment of female directors;

b) The company deliberately seeks women with the target professional profile and includes them among the potential candidates.

See sections: B.1.2, B.1.27 and B.2.3

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

16. The Chairman, being responsible for the effective running of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organises and coordinates regular evaluations of the Board and, where appropriate of the Chief Executive Officer.

See section: B.1.42

Complies ☒ Complies in part ☐ Explain ☐

17. Where the Chairman of the Board is also the chief executive officer, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new items on the agenda; to coordinate and echo the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1. 21

Complies ☐ Complies in part ☒ Explain ☐ Not applicable ☐

Further to the amendment to the regulations approved during the session of the Board held on 11 December 2007, Article 18 of the Board of Directors´ Regulations includes word for word, the provisions of this Recommendation, being thus the independent director and Second Deputy Chairman, Mr Carlos Espinosa de los Monteros Bernaldo de Quirós, entitled to request, being this request mandatory for the Chairman, the calling of a Board meeting, and the inclusion of new items on the agenda, as well as to coordinate and echo the concerns of the external directors.

However, the power to lead the Board´s evaluation of the Chairman has not been included since, as it its explained under Recommendation 22 below, the Board has not deemed it necessary to assess the performance by the Chairman of the Board of his/her duties.

18. The Secretary of the Board takes particular care to ensure that the Board's actions:

a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;

b) Comply with the Articles of Association and the General Meeting of Shareholders' Regulations, the Board of Directors´ Regulations and other regulations of the company;

c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and removal are reported by the Nominating Committee and approved by the Board in plenary session; and that such appointment and removal procedures are set forth in the Board's Regulations

See section: B.1.34

Complies ☒ Complies in part ☐ Explain ☐

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See section: B.1.29

Complies ☒ Complies in part ☐ Explain ☐

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: B.1.28 and B.1.30

Complies ☒ Complies in part ☐ Explain ☐

21. Where directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

22. The Board in plenary session evaluates the following on a yearly basis:

a) The quality and efficiency of the running of the Board;

b) On the basis of the report submitted by the Nomination and Remuneration Committee, the performance of their duties by the Chairman of the Board and by the chief executive officer;

c) The running of its Committees, on the basis of the report they submit;

See section: B.1.19

Complies ☐ Complies in part ☒ Explain ☐

This Recommendation has been fully included in the Board of Directors´ Regulations, except for the assessment of the performance by the Chairman of said body of his duties (although the performance of the duties by the chief executive of the company is actually subject to assessment)

The Board of Directors has not deemed it necessary to carry out an assessment periodically and in an ongoing manner of the performance by the Chairman and Founder of the company of his duties, it being more appropriate to focus on the assessment of the performance by the Chief Executive Officer and First Deputy Chairman of his executive duties.

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

See section: B.1.42

Complies ☒ Explain ☐

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

See section: B.1.41

Complies ☒ Explain ☐

25. Companies organise induction programmes for new directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programmes when circumstances so advise.

Complies ☒ Complies in part ☐ Explain ☐

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

a) Directors inform the Nomination and Remuneration Committee of their other professional duties, in case they might detract from the necessary dedication;

b) Companies lay down rules about the number of boards on which their directors may sit.

See sections: B.1.8, B.1.9 and B.1.17

Complies ☒ Complies in part ☐ Explain ☐

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Meeting of Shareholders, as well as their interim appointment through the co-option system, are approved by the Board:

a) On the proposal of the Nomination and Remuneration Committee, as regards independent directors;

b) After report of the Nomination and Remuneration Committee, as regards the remaining directors.

See section: B.1.2

Complies ☒ Complies in part ☐ Explain ☐

28. Companies post the following information regarding directors on their websites, and keep such information updated:

a) Professional and biographical profile;

b) Other Boards of Directors of listed or unlisted companies on which they sit;

c) Indication of the director's category, stating, as regards proprietary directors, the shareholder they represent or to whom they are related.

d) Date of their first and subsequent appointments as a company director; and

e) Shares held in the company and options thereon held by them.

Complies ☒ Complies in part ☐ Explain ☐

29. Independent directors do not hold office as such for a straight period of more than 12 years.

See section: B.1.2

Complies ☒ Explain ☐

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them does likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2, A.3 and B.1.2

Complies ☒ Complies in part ☐ Explain ☐

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set in the Articles of Association, for which he/she was appointed, except where good cause is found by the Board upon a prior report of the Nomination and Remuneration Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his /her position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the share capital structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies ☐ Explain ☒

Article 24 of the Board of Directors´ Regulations requires a prior report of the Nomination and Remuneration Committee for the proposed early dismissal by any independent director before his/her tenure expires, but it has not been deemed necessary to include into these regulations the provision pursuant to which this proposal need not be submitted unless there is good cause. Anyway, no proposal for the early dismissal of any independent director has been submitted so far.

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Spanish Corporation Act, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Complies ☒ Complies in part ☐ Explain ☐

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

Where the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusion and if he/she chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he/she is not a director.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

34.Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a relevant fact, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

35. The compensation policy approved by the Board specifies at least the following points:

- **a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;**

- **b) The items of the variable remuneration, including, in particular:**

  - **i) The categories of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items.**

  - **ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;**

  - **iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and**

iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.

d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:

i) Duration;

ii) Notice periods; and

iii) Any other provisions relating to hiring bonuses, as well as indemnity or golden parachute provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See section: B.1.15

Complies ☒ Complies in part ☐ Explain ☐

36. Remuneration paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subject to the condition that the directors hold the shares until they cease to hold office as directors.

See sections: A.3, B.1.3

Complies ☒ Explain ☐

37. The remuneration of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to jeopardize their independence.

Complies ☒ Explain ☐

38. The compensation linked to company results takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies ☐ Explain ☐ Not applicable ☒

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies ☒ Explain ☐ Not applicable ☐

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

See section: B.1.16

Complies ☐ Complies in part ☒ Explain ☐

Pursuant to the provisions of Article 28 of the Board of Directors´ Regulations, this body has approved in the same session in which this Report was approved, and upon proposal of the Nomination and Remuneration Committee, a report on the remuneration of directors with the scope covered by this Recommendation.

This report shall be published on the website of the company and shall be made available to all shareholders together with the notice of the upcoming Annual General Meeting of Shareholders; the Company considers this transparency to be sufficient and, therefore, the consultative vote regarding said report needs not be introduced.

With this respect, it must be borne in mind that the General Meeting of Shareholders is charged with approving the remuneration system for directors and the amount thereof; therefore, it is not deemed necessary to submit a resolution whose contents have been previously approved by said body to a subsequent consultative vote of the General Meeting of Shareholders. As it has been explained in section B.1.14 hereof, wherein the system to determine remuneration of directors is described, the Company expressly avoids the use of a generic and undetermined system to fix the remuneration of the Board of Directors consisting of a reference to the Board having a share in the profits of the Company. Conversely, it is provided in Article 33.1 of the Articles of Association that “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 accordance with such provision, it was resolved by the Annual General Meeting held on 18 July 2006 to fix, for an indefinite term, the remuneration of the directors of the company on account of the performance of their duties as board members, as it is explained below under item 41.

41. The Annual Report lists the individual compensation of directors during the fiscal year, including:

a) A breakdown of the compensation of each director, to include where appropriate:

i)Attendance per diem or other fixed compensation received as a director;

ii) The additional compensation received as chairman or member of a Board committee;

iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;

iv) Contributions on the director’s behalf to defined-contribution pension plans; or any increase in the director’s vested rights, in the case of contributions to defined-benefit plans;

v) Any severance package agreed or paid;

vi) Any compensation received as a director of other companies in the group;

vii) Compensation for the performance of senior management duties by executive directors;

viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from

b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:

i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;

ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;

iv) Any change during the year in the terms for the exercise of previously-awarded options.

c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Complies ☐ Complies in part ☒ Explain ☐

Pursuant to the explanations included under item 40 above, it was resolved by the Annual General Meeting of Shareholders held by the company on 18 July 2006, the contents of which are transcribed under section B.1.14 hereof (as well as on the website in the section "Information for Shareholders and Investors"), to approve the remuneration of the directors on account of the exercise of their collegiate duties of supervision and control, i.e., their duties as directors.

Additionally, section B.1.11.a) hereof covers the aggregate remuneration of directors on account of different criteria (remuneration item, on account of their sitting on other boards and/or their being senior managers of the Group companies and of their belonging to a category of director).

Pursuant to the foregoing, the following information may be gathered: a) the individual remuneration of each and every Board member in their capacity as directors, including the aggregate remuneration of the Chairman of the Board, Mr Amancio Ortega Gaona; and, b) the aggregate remuneration of executive directors on account of the exercise of their senior management duties. The foregoing information is deemed to be complete and thorough.

42. Where there is an Executive Committee (hereinafter, the "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See sections: B.2.1 and B.2.6

Complies ☐ Complies in part ☒ Explain ☐ Not applicable ☐

Pursuant to the breakdown of members of the Executive Committee provided in section B.2.1 hereunder, the structure by categories of Board members who sit on the Executive Committee is slightly different from the current structure of directors of the Board by categories, since the Company has deemed it fit that all executive directors should sit on the Executive Committee, whereas the remaining two directors –one proprietary (Gartler, S.L.) and one independent– are not part of the Executive Committee.

43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies ☐ Explain ☐ Not applicable ☒

44. In addition to the Audit Committee mandatory under the Stock Exchange Act, the Board of Directors forms a single Nomination and Remuneration Committee as a separate committee of the Board, or a Nomination Committee and a Remuneration Committee

The rules governing the make-up and operation of the Audit and Control Committee and the Nomination and Remuneration Committee or committees are set forth in the Board´s Regulations, and include the following:

a) The Board appoints the members of such Committees, taking into account the background, knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.

b) These Committees are formed exclusively of external directors and have a a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.

c) the Chairmen of the Committee are independent directors.

d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.

e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See Sections: B.2.1 and B.2.3

Complies ☒ Complies in part ☐ Explain ☐

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit and Control Committee, the Nomination and Remuneration Committee or, if they exist separately, to the Compliance or Corporate Governance Committee

Complies ☒ Explain ☐

46. The members of the Audit and Control Committee and, particularly, the Chairman thereof, are appointed taking into account their background, knowledge and experience in accounting, auditing and risk management matters.

Complies ☒ Explain ☐

47.Listed companies have an internal audit function which, under the supervision of the Audit and Control Committee, ensures the smooth operation of the information and internal control systems.

Complies ☒ Explain ☐

48. The head of internal audit submits to the Audit and Control Committee his/her annual work plan; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies ☒ Complies in part ☐ Explain ☐

49.Risk control and management policy specifies at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.

b) The determination of the risk level the company sees as acceptable;

c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;

d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: D

Complies ☒ Complies in part ☐ Explain ☐

50. It is incumbent on the Audit and Control Committee:

1st With respect to the internal control and reporting systems:

a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.

b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.

c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.

d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2nd With respect to the external auditor:

a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.

b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.

c) To monitor the independence of the external auditor, to which end:

i) The company reports a change of auditor to the CNMV as a relevant fact, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.

ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;

iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

d) In the case of groups, the Committee favours the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, and D.3

Complies ☒ Complies in part ☐ Explain ☐

51. The Audit and Control Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies ☒ Explain ☐

52.The Audit and Control Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:

a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial sta-

tements and, to this end, consider whether a limited review by the external auditor is appropriate.

b) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: B.2.2, and B.2.3

Complies ☒ Complies in part ☐ Explain ☐

53. The Board of Directors endeavours to present the annual accounts to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit and Control Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: B.1.38

Complies ☒ Complies in part ☐ Explain ☐

54. The majority of the members of the Nomination Committee –or of the Nomination and Remuneration Committee, if one and the same– are independent directors.

See section: B.2.1

Complies ☒ Explain ☐ Not applicable ☐

55. The Nomination and Remuneration Committee has the following duties, in addition to those stated in the earlier Recommendations:

a) To assess the qualifications, background knowledge and duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) To examine or organise, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.

c) To report on senior manager appointments and removals that the chief executive proposes to the Board.

d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

56. The Nomination and Remuneration Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors.

And that any board member may request that the Nomination and Remuneration Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

57. The Nomination and Remuneration Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

a) To propose to the Board of Directors:

i) The compensation policy for directors and senior managers;

ii) The individual compensation of executive directors and other terms of their contracts.

iii) The basic terms and conditions of the contracts with senior managers.

b) To ensure compliance with the compensation policy set by the company.

See sections: B.1.14, B.2.3

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

58. The Nomination and Remuneration Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies ☒ Explain ☐ Not applicable ☐

G Other information of interest

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 2007, which commenced on 1 February 2007 and closed on 31 January 2008, is included in this Report, excepting those other cases in which other dates of reference are specifically mentioned.

Mandatory definition of independent director

None of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in sub-section 5 of the Unified Good Governance Code.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 10 June 2008.

None of the directors voted against or abstained in connection with the approval of this Report.

Audit and Control Committee

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 9 June 2008 is the fifth 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.

The Audit and Control Committee of Inditex: origin and evolution, regulations and composition

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.

Finally, the Board of Directors in its meeting held on 11 December 2007 approved a new Revised Text of the Board of Directors´ Regulations in order to adjust the contents thereof to the Recommendations of the Unified Code. Further to this amendment, the duties of the Audit and Control Committee are extended as it assumes the Recommendations provided by the Unified Code on this issue

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 11 December 2007, 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 submitted to 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 assignments 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 the Annual Activities Report, 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 periodically review the risk control and management policy, which may contain, at least, the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks and the systems of information and internal control.

i) To review the Company´s annual accounts and the periodic financial information that the Board must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.

j) 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.

k)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.

l) 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.

m) 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.

n) To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.

o) To draw up an annual report on the activities carried out by the Audit and Control Committee itself.

p) To supervise the functioning of the Company´s web page regarding the provision of information on corporate governance as referred to under Article 40.

q) To report to the Board of Directors about the creation or, as the case may be, acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature.

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 at its meetings of 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 27 of these Regulations shall apply.

6. The Audit and Control Committee shall report to the Board on the business transacted and the resolutions passed, informing the first Board of Directors held in plenary session after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be put at the Board members' disposal.

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 rules and regulations then in force and of the recommendations of both the Aldama Report, then applicable and of the current Unified Code – which recommends that the Committee should be comprised of external directors exclusively and that the Chairman thereof should be an independent director-, 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	Mrs. 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 résumé of each member of the Audit and Control Committee is provided in section B.1.3 of the Annual Corporate Governance Report, which is part of this Annual Report 2007.

At present and pursuant to the provisions of Article 15.1 of the Board of Directors´ Regulations, all members of the Audit and Control Committee are independent directors.

Activities of the Audit and Control Committee

Sessions held and business transacted

The sessions held by the Audit and Control Committee throughout FY2007 and the main business transacted are shown below:

Date of session	Agenda
03/19/2007	Review of the Annual Accounts of the Company for FY2006.
	-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
	-Internal Audit. Issues of its remit.
	-Half-yearly report (August 2006-January 2007) of the Code Compliance Supervisory Board (CCSB).
06/11/2007	- 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.
	- Annual Corporate Governance Report
	- Preparation of the “Triple Report” on financial, social and environmental issues.
	- Proposed re-election of Auditors
07/17/2007	-Proposal for the new Code of Conduct for External Manufacturers and Workshops of Inditex
09/08/2007	- 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.
	- Internal Audit. Issues of its remit
	- Half-yearly report (February-July 2007) of the Code Compliance Supervisory Board (CCSB)
12/10/2007	- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies
	- Amendment of the Board of Directors´ Regulations
	- Internal Audit: Issues of its remit
	- Annual report of the Committee of Ethics about the implementation of the Internal Guidelines for the Responsible Practices of the inditex´s Group personnel

Lines of action

As for the lines of action of the Audit and Control Committee during FY2007, 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 19 March, 11 June, 18 September and 10 December, the Audit and Control Committee proceeded to review thoroughly the results for FY2006 and for the first three quarters of FY2007, 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 FY2006 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 19 March 2007 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 FY2006.

The assignment conducted by the auditors consisted of the audit of the consolidated financial statements of the Group as at 31 January 2007, the audit of the individual financial statements of certain companies within the Group also as at 31 January 2007; 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 2007 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

Annual Corporate Governance Report

The Audit and Control Committee in its session of 11 June 2007 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 2006, 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.

The Sustainability Report contains a complete information on the activities of Inditex, S.A. and its corporate Group over the last years and especially in fiscal 2006, 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 Board of Directors´ Regulations in order to adjust the contents thereof to the Recommendations of the Unified Code on Good Governance.

Annual Report of the Audit and Control Committee

The Committee drew up its fourth Activities Report showing the activities carried out by this body during FY2006.

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.

• Review of the first annual report of the Committee of Ethics about the implementation of the Internal Guidelines for the Responsible Practices of the Inditex´s Group personnel.

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Main relationships of the Audit and Control Committee

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.

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.

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.

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.

With the Internal Audit Department

The Internal Audit is a centralized function included in the current organisational 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, the annual activities report and the resources of the Department to carry out its tasks as well as the contents of its acts.

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.

Nomination and Remuneration Committee

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 9 June 2008, is the third annual activities report prepared by said body.

The Nomination and Remuneration Committee of Inditex: origin and evolution, regulations and composition

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:

1) 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.

2) 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.

Finally, the Board of Directors in its meeting held on 11 December 2007 approved a new Revised Text of the Board of Directors´ Regulations in order to adjust the contents thereof to the Recommendations of the Unified Code. Further to this amendment, the duties of the Nomination and Remuneration Committee are enhanced as it assumes the Recommendations provided by the Unified Code on this issue.

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 and to the remaining duties reserved to it by these Regulations, 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 and, in case of independent directors, to submit said proposals to the Board of Directors for approval, 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 advise on the appointment and dismissal of senior managers as proposed by the chief executive to the Board of Directors

(f) To annually advice the Board on the evaluation of the performance of the chief executive of the Company, and also of the Nomination and Remuneration Committee itself.

(g) To propose the remuneration policy for directors and senior managers to the Board, and to ensure compliance with the remuneration policy set forth by the Company.

(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.

(k) To ensure that when filling up any new vacancies and when appointing new Directors the recruitment process should conform to the prohibition of any manner of discrimination.

(l) To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements

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.

5.- The Nomination and Remuneration Committee shall report to the Board on the business transacted and the resolutions passed, informing the first Board of Directors held in plenary session after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be put at the Board members' disposal.

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 rules and regulations then in force and of the recommendations of both the Aldama Report, then applicable and of the current Unified Code – which recommends that the Committee should be comprised of external directors exclusively and that the Chairman thereof should be an independent director-, 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:	Mr. Carlos Espinosa de los Monteros y Bernaldo de Quirós
Ordinary members:	Mrs. Irene Ruth Miller
	Mr. Francisco Luzón López
	Mr. Juan Manuel Urgoiti López de Ocaña
	Mr. José Luis Vázquez Mariño
Secretary (non member):	Mr. Antonio Abril Abadín

A brief résumé of each member of the Nomination and Remuneration Committee is provided in section B.1.3 of the Annual Corporate Governance Report, which is part of this Annual Report 2007.

At present and pursuant to the provisions of Article 14.1 of the Board of Directors´ Regulations, all members of the Nomination and Remuneration Committee are independent directors.

Activities of the Nomination and Remuneration Committee

Sessions held and business transacted

The sessions held by the Nomination and Remuneration Committee throughout FY2007 and the main business transacted are shown below:

Date of session	Agenda
03/19/2007	- Information on recent appointments within the company.
06/11/2007	- Annual Activities Report of the Nomination and Remuneration Committee
07/17/2007	- Transactions with related parties
09/18/2007	- Report on appointments within Zara España, the New Format and the Finances Division
12/10/2007	- A director places his office at the disposal of the Board pursuant to the provisions of Article 24.2 of the Board of Directors´ Regulations ".
	- Restructuring within the Management of a Format

Lines of action

As for the lines of action of the Nomination and Remuneration Committee during FY 2007, they have revolved around the following aspects:

Appointments within the Company and in the Formats

During the meetings held by the Committee on 19 March, 18 September and 10 December 2007, it acknowledged the various appointments and restructuring carried out within Inditex´s different corporate divisions, as well as in some of the formats, namely Zara España, Kiddy´s Class and the new commercial format.

Transactions with related parties

Pursuant to the provisions of the corporate regulations, in the session dated 7 July 2007, the Committee reported about a specific transaction carried out between the Inditex Group and a member of the Board of Directors of the company.

This transaction was valued considering the market conditions that apply to similar transactions, in accordance with the provisions of Article 38 of the Board of Directors´ Regulations. The authorised transaction is not very significant, in that its disclosure is not required to show the true image of Inditex´s assets, its financial situation or its results; notwithstanding this, it was made public for transparency reasons in the relevant documents (Annual Corporate Governance Report, Consolidated and Individual Annual Report and Half-yearly Public Periodic Information).

Main relationships of the Nomination and Remuneration Committee

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.

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.

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 programmes for the detection and development of potential in the matter of personnel, and succession plans.

Verification of the Global Reporting Initiative

SGS

INDEPENDENT ASSURANCE REPORT

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

SCOPE.
SGS ICS Ibérica, S.A. (hereinafter, SGS) has been engaged by Inditex Group (hereinafter, INDITEX) to review the information on human resources, social and environmental practices included in its 2007 Annual Report (hereinafter, the Report)

The scope of the review includes the text and data contained in the Report; not including the information and/or data referenced and not introduced in the Report.

INDEPENDENCE.
The information contained in the Report and its analysis is the sole responsibility of INDITEX.

SGS has not participated nor advised in the elaboration of the Report, only participated as independent auditor, checking the adequacy of the Report' s contents.

The content of this independent assurance report and the opinions contained in it is the sole responsibility of SGS.

VERIFICATION.

Methodology and audit team.
We have conducted our work in accordance with ISO 19011 audit procedures and verification mechanisms according to the Global Reporting Initiative version (G3) for the Preparation of Sustainability Reports (hereinafter, the Guide) and AA1000 Assurance Standard (2003)

Our review consisted of making inquiries to Management and to various Departments of INDITEX which participated in the preparation of the Report, and conducting the following analytical procedures and sample-based verification tests:

- Meetings with INDITEX personnel to obtain significant information on the managing principles, systems and approach applied.
- Analysis of processes used to gather and validate the data presented in the Report.
- Review of the minutes of INDITEX' s Social Committee in 2007.
- Review of the steps taken in relation to the identification and consideration of the stakeholders throughout the year, through the analysis of the internal information and third party reports available.
- Checking that the content of the Report does not contradict any significant information supplied by INDITEX in its Annual Report and its Corporate Governance Report.
- Analysis of the adherence of the content of the Report to that recommended in the Guide.
- Verification that the core indicators included in the Report correspond to those recommended by the aforementioned Guide and that the indicators that are "not applicable" and "not available" are identified.
- Review of information relating to the management approach applied.
- Testing on a sample basis the calculation of the quantitative and qualitative information of the Guide indicators included in the Report and the adequate compilation thereof based on the data supplied by INDITEX' s information sources. These tests have been done in the Headquarters of INDITEX' s in Arteixo (Spain)
- The data review of the economic area has been assessed with the data included in INDITEX' s Consolidated Annual Accounts, audited by KPMG.

SGS ICS IBÉRICA, SA | Trespaderne 29 28042 Madrid t 34 91 3138115 f 34 91 3138102 www.sgs.es

INDEPENDENT ASSURANCE REPORT

The audit team was comprised by the following SGS personnel:

- Mrs. Carlota Abalo Sinde.
- Mrs. Laura López Sajurjo..

IMPROVEMENT AREAS.

We have submitted to INDITEX' s Corporate and Social Responsibility Department our recommendations relating to the areas in which changes can be made to consolidate processes, programmes and systems associated with Corporate Responsibility Management. The recommendations relate principally to:

√ Improving the implementation of Corporate Responsibility gathering systems through the inclusion of information that is currently unavailable in certain areas such as Human Resources.

CONCLUSIONS.

As a result of the revision procedures carried out, SGS can conclude that:

- There is no evidence that would lead us to believe that the Report is not developed in accordance with the Guide.
- There is no evidence that would lead us to believe that the Report information related to the application of the relevance, integrity and stakeholders' proper response principles of the Accountability 1000 Assurance Standards is materially misstated.
- There are no facts that would lead us to believe that the information regarding the progress and fulfilment in 2007 of Corporate Social Responsibility policy areas is material misstated.

INDITEX'S MANAGEMENT AND SGS RESPONSIBILITIES.

- INDITEX´s Corporate Social Responsibility Department is responsible for preparing the Report and for its content, and it is likewise responsible for defining, adapting and maintaining the management and internal control systems through which the information is gathered.
- Our responsibility is to issue an independent assurance report based on the procedures used in our review.
- This independent assurance report was prepared solely in the interest of INDITEX in accordance with the terms of our "Engagement Letter".
- We have conducted our work in accordance with the independent standards stipulated by the International Federation of Accountants (IFAC) Code of Ethics. In accordance with INDITEX' s Internal Procedures, our "Engagement Letter" was approved by its Audit Committee.
- A limited review has a substantially narrower scope than an audit. We therefore express no auditor's opinions regarding the Report.

Jun 24th 2008

Carlota Abalo -SGS ICS Ibérica, S.A.

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Zara Home online team.

Glossary

Corporate DNA: A tool for non-financial risk management deriving from contractual relations of manufacture, production and/or marketing between a particular supplier and Inditex. This tool assigns a rating automatically: A, B, C, D, based on the weight of certain indicators and on the gravity of the breaches of the Code of Conduct for External Manufacturers and Workshops.

Asociación Española de Contabilidad y Administración de Empresas (AECA): Professional institution which issues principles and generally accepted rules of accounting, as well as pronouncements and studies on good practices in business management.

Base Code of the Ethical Trading Initiative (ETI): Code of conduct which expresses the international regulations in the matter of respect for and encouragement of Fundamental Human and Employment Rights in production centres. This code, accompanied by a set of general principles relating to implantation, supplies to companies, institutions and NGOs a reference framework for the development of their codes of conduct and the subsequent implantation of their chains of production. It is necessary for companies and other institutions, after joining, to sign the Base Code of ETI.

Cáritas: Development NGO which has among its objectives that of helping in human promotion and the integral development of the dignity of all those persons who are in a precarious situation. It has a presence in 198 countries, through Cáritas Internacional (www.caritas.es).

Clear to Wear (CTW): This is the seal of health and quality of the products of Inditex regarding their composition. It has been developed in accordance with the most demanding legislation especially in the case of products aimed at those younger than two years. Clear to Wear, which must be complied with by suppliers, certifies that the products do not have substances used as pesticides, biocides and chlorinated paraffins. It also limits the use of other chemical substances within legally permitted levels.

Clusters of suppliers: Working groups made up of suppliers, trade unions, business associations and international purchasers, 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.

Inditex Code of Conduct: Formal declaration of values which regulate the relations of Inditex with each one of its interest groups (shareholders, employees, customers, business partners, suppliers and society in general). This Code was approved in 2001 by the Board of Directors of Inditex.

Code of Conduct for External Workshops and Suppliers: Development of the Internal Inditex Code of Conduct for application by the Group suppliers. The above-mentioned Code was approved in 2001 and modified in 2007, after Inditex joined ETI and adopted its Base Code. It includes, among other things, the following agreements of the ILO: 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

Glossary

Internal Responsible Practices Directory: Guide for standards of conduct for the ethical management of Inditex employees. It was approved in June 2006 and sets the objective of seeking professional, ethical and responsible behaviour from Inditex employees in performance of the activities of the company in any part of the world. All of this is like a basic element in the Inditex business culture, based on the training and personal and professional development of its employees.

d2W: An additive that accelerates the total decomposition of the plastic in a natural way over an average period of one to two years as opposed to more than 400 for conventional plastic.

EBIT (Result of the operations): Operating income less operating costs, sum for depreciation of fixed assets, turnover and the provisions for risks of an operational nature.

EBITDA (Gross result of operations): Operating profit before interest, depreciation and provisions.

Entreculturas: Development NGO promoted by the Compañía de Jesús which defends access to education in the most disadvantaged areas of Latin America, Africa and Asia. It supports projects that promote education as a means of social transformation and dialogue between cultures (www.entreculturas.org).

Ethical Trading Initiative (ETI): Platform of dialogue made up of companies, international trade union organisations and non-governmental organisations (NGOs). It was set up in 1998 to promote and improve the implantation of the Base Code in production chains of global companies which carry out production, marketing and/or distribution activities. Inditex joined ETI in 2005 and has formed part of its Governing Board since 2006 (www.ethicaltrade.org).

FITEQA – Comisiones Obreras (CC.OO.): Federation of Workers from the Textile-Leather sector, Chemicals and Similar of Comisiones Obreras of Spain.

for&from Special People: Programme of Massimo Dutti in support of the insertion into the workplace of vulnerable groups, through the design of sustainable projects within Inditex's marketing activities. It has two stores open to the public in Palafolls (Barcelona) and Allariz (Ourense).

Greenhouse Gases: Gaseous compounds of a natural or anthropogenic origin which cause the greenhouse effect.

UN Global Compact: The World Pact, promoted in 1999 by the then Secretary General, Kofi Annan, is a global initiative based on ten fundamental principles related to Human Rights, employment regulations and the environment. Inditex has been one of the main driving forces behind this initiative and has been its first member since its creation in Spain (www.unglobalcompact.org).

Global Reporting Initiative (GRI): Multi-sectorial organisation which has as its purpose to establish a widely-accepted working structure for the preparation of sustainability reports in which the three following aspects are included: the environmental, economic and social. It is also occupied with the definition and dissemination of the guide for the preparation of the above-mentioned reports, which is applied in a voluntary manner by organisations which wish to inform about economic, environmental and social aspects of their activities, products and services.

Interest groups - Stakeholders: Any person, body or social group on which the activities of the organisation have an impact, for example: the shareholders, employees, customers, business partners, suppliers and society in general.

ILO Better Factories Programme: An ILO project in Cambodia which has as its object the improvement of the employment conditions of the factories and from which the workers and the managers and owners of the textile factories and the public administration benefit. (www.betterfactories.org).

Peruvian Institute for Education in Human Rights and Peace (IPEDHP). Not-for-profit educational institution which carries out proposals aimed at contributing to the reinforcement of democracy in Peru, orienting its attention to the field of education (www.ipedehp.org.pe).

International Textile, Garment and Leather Workers Federation (ITGLWF): International trade union federation of workers from the textile and leather sector which represents over 217 national trade union federations in 100 countries and the employment and trade union interests of over 10 million workers in the textile, dressmaking and leather sector (www.itglwf.org).

Jesuit Refugee Service (JRS): International Catholic organisation whose mission it is to help and to defend the rights of refugees and displaced persons. It has programmes in over 50 countries the main lines of work are undertaken in the fields of education, health, social services and emergency attention (www.jesref.org).

Like for Like (LFL) or Sales in shops or in a comparable location: Sales in stores that were open during the whole of the financial year.

Médecins Sans Frontières (MSF): International humanitarian medical action organisation which assists populations in a precarious situation and victims of catastrophes and armed conflicts. It is present in over 70 countries, with over 500 projects on the five continents (www.msf.es).

Multi Fiber Arrangement (MFA Forum): Platform of dialogue made up of over seventy participants in representation of companies, trade unions, NGOs and multilateral institutions. The purpose of this organisation is to promote social responsibility and competitiveness among the most vulnerable national textile industries, especially those located in Lesotho, Morocco and Bangladesh.

Strategic Environmental Plan 2007-2010 (PEMA): Programme which establishes the objectives and the lines of action for Inditex in the matter of the environment, presented to the shareholders in July 2007.

It is expressed in five projects which involve improvements in terms of ecological and environmental efficiencies in the different areas of business of the company.

Pre-Assessment: Online standardisation procedure designed for suppliers who wish to take part, for the first time, in the Inditex production chain. This procedure assigns to each potential supplier a provisional rating prior to the conduct of the corresponding social audits, based on five dimensions: quality, health, safety, delivery dates and compliance with the Code of Conduct for External Manufacturers and Workshops.

ACVTEX Project (Analysis of the Textile Life Cycle): Environmental project integrated in PEMA 2007-2010 which analyses the variables of the manufacture of garments which influence the environment, so as to design a tool for evaluation of the production with sustainable criteria.

IEMA Project (Energy Integration with Environmental Criteria): Environmental project integrated in PEMA 2007-2010 of which the objective is the integration of the variables of efficient energy consumption, renewable energy sources and atmospheric emissions into a single management model.

Inditex Pro Kyoto Project: Environmental project integrated in PEMA 2007-2010 which aims to control and reduce the indirect emissions of Greenhouse Gases generated by logistical activity, and develops mechanisms to offset emissions of Greenhouse Gases.

Terra Project: Environmental project integrated in PEMA 2007-2010 by which, in places those are yet to be determined, the necessary forest mass will be created to absorb 100% of the emissions which arise from the consumption of electrical energy at the central location of Arteixo.

Project 3S. Sustainable store: Environmental project integrated in PEMA 2007-2010 which has as its objective to integrate criteria of sustainability and energy efficiency into all the stores in the Group.

ROCE (Return on Capital Employed): Rate of return on the capital employed, which measures the operative profitability vis-à-vis the resources used, both those from the shareholders and the financial resources used.

ROE (Return on Equity): Profitability on Equity, calculated as an operating profit on average equity.

Safe to Wear (STW): Programme designed by Inditex which verifies that its products do not contain elements of risk or danger to the consumer. The safety controls and the demands are applied more strictly in the case of clothing for children and babies, through tests which guarantee the correct placement of buttons, zips and appliqués, among other elements and their harmlessness.

Environmental Management System: Part of the management system of the company which includes the organisational structure, the planning of activities, responsibilities, practices, procedures, processes and the resources to develop, implant, carry out, review and keep updated the environmental policy.

Social Accountability International (SAI): Not-for-profit organisation devoted to the development and supervision of corporate accounting standards. This organisation has developed standard SA8000, in which the process of standardisation in the production centres of commonly accepted international employment rights based on international regulations and decisions of the International Labour Organisation (ILO) is set out. (www.fundaciomoli.org)

Terminal for Store Management: Touch screen system which 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 headquarters'departments, the logistical centres and other stores.

Tested to Wear (TTW): The new methodology of Inditex developed from the integration of the Base Code of ETI into the new Code of Conduct for External Manufacturers and Workshops, which constitutes the framework of reference for the conduct of corporate activities in Inditex.

Trigeneration: Procedure for the generation of energy by means of which cold is obtained as well as electrical energy and heat, which are normal in cogeneration.

The Annual Report 2007 is printed on chlorine-free paper and has been manufactured following environmentally friendly processes.

Legal Deposit: C 2416-2008

Editor:
Communication and Institutional Relations Corporate Division
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Avda. de la Diputación, s/n
15142 Arteixo
A Coruña, Spain

The Annual Report 2006 is the previous Report published in June 2007.

Published by:
EUROPUBLIC SL, Servicios Globales de Marketing_Tel 0034 902 149 149

The **Annual Report 2007** provided information under the terms of the triple –economic, social and environmental- dimension.

The Annual Report 2007 is fully available on the corporate web site **www.inditex.com**, where additional useful information may also be accessed.

The English translation of this Report has been reviewed by the Centre for Business and Public Sector Ethics of Cambridge (United Kingdom).

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