



1998 annual figures
Inditex Group

5. annual figures



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

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

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. and Dependent Companies composing the Inditex Group, which consist of the consolidated balance sheet as of January 31, 1999, and the related consolidated statement of income and notes to consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the directors of the Controlling Company. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.
2. As required by Spanish corporate law, for comparison purposes the Controlling Company's directors present, in addition to the 1999 figures for each item in the consolidated balance sheet and the consolidated statements of income and of changes in financial position, the figures for 1998. Our opinion refers only to the 1999 consolidated financial statements. Our auditors' report dated May 4, 1998, on the 1998 consolidated financial statements contained an opinion qualified for one matter.
3. In our opinion, the 1999 consolidated financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of the Inditex Group as of January 31, 1999, and of the results of its operations and of the funds obtained and applied by it in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.

Arthur Andersen y Cia., S. Com.
Reg. Merc. Madrid. Tomo 3190, Libro 0, Folio 1,
Sec. 8, Hoja M-5414, Inscrip. 1.ª

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

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

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

ARTHUR ANDERSEN

A handwritten signature in black ink, appearing to read 'Rafael Abella', is written over a horizontal line. The signature is stylized with a vertical stroke that extends upwards and downwards from the horizontal line.

Rafael Abella

May 3, 1999

Inditex Group

consolidated financial statements
(FYE January 31st, 1999)

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

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

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

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

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

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

DEBIT	1999	1998
A) EXPENSES		
1. Purchases	142,678	105,796
2. Personnel expenses	42,268	30,725
a) Wages, salaries, etc.	33,193	24,233
b) Employee welfare expenses (note 21)	9,075	6,492
3. Period depreciation and amortization	13,295	10,117
4. Variation in operating provisions	125	206
5. Other operating expenses	47,338	30,555
I. OPERATING INCOME (B1+B2+B3+B4-A1-A2-A3-A4-A5)	40,889	32,077
6. Financial and similar expenses	2,152	2,233
7. Exchange losses	895	522
II. FINANCIAL INCOME	0	0
8. Share in losses of companies carried by the equity method	7	1
9. Amortization of goodwill in consolidation	92	33
III. INCOME FROM ORDINARY ACTIVITIES (A1-B11+B8-A9-A10)	39,851	31,299
10. Variation in intangible asset and tangible fixed asset provisions	116	453
11. Losses on fixed assets	1,194	686
12. Extraordinary expenses	843	519
13. Prior years' expenses and losses	171	355
IV. EXTRAORDINARY INCOME	0	0
V. CONSOLIDATED INCOME BEFORE TAXES (A111-B14)	38,100	29,583
14. Corporate income tax (note 20)	12,179	9,646
15. Other taxes (note 20)	481	373
VI. CONSOLIDATED INCOME FOR THE YEAR (AV-A14-A15)	25,440	19,564
16. Income attributed to minority interests	0	32
VII. INCOME FOR THE YEAR ATTRIBUTED TO THE CONTROLLING COMPANY (AVI-A16)	25,480	19,532

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

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

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

1.- GROUP DESCRIPTION

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

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

Number of stores

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

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

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

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

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

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

a) True and fair view.

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

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

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

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

b) Accounting policies.

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

c) Consolidation principles.

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

The consolidation was carried out as follows:

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

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

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

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

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

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

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

d) Currency.

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

e) Comparative information.

Scope of consolidation.

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

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

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

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

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

The following Group companies changed their corporate names in 1999:

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

Reclassifications.

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

f) Working capital.

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

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

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

3.- DISTRIBUTION OF THE INCOME OF THE CONTROLLING COMPANY

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

4.- VALUATION STANDARDS

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

a) Start-up expenses

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

b) Intangible assets.

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

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

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

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

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

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

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

c) Tangible fixed assets.

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

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

Period upkeep and maintenance expenses are expensed currently.

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

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

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

d) Marketable securities and other similar financial investments.

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

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

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

e) Shares of the Controlling Company.

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

f) Goodwill in consolidation.

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

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

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

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

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

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

h) Deferred charges.

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

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

i) Inventories.

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

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

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

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

j) Provisions for contingencies and expenses.

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

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

k) Debts.

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

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

l) Capital subsidies.

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

m) Foreign currency transactions.

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

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

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

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

The negative differences in each group are charged to income.

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

n) Recognition of revenues and expenses.

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

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

ñ) Corporate income tax.

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

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

o) Termination indemnities.

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

p) Off-balance sheet transaction.

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

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

5.- START-UP EXPENSES

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

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

6.- INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

7.- TANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

The revaluation surpluses were as follows:

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

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

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

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

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

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

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

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

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

8.- LONG-TERM FINANCIAL INVESTMENTS

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

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

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

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

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

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

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

9.- GOODWILL IN CONSOLIDATION

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

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

10.- DEFERRED CHARGES

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

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

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

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

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

11.- INVENTORIES

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

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

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

12.- SHORT-TERM FINANCIAL INVESTMENTS

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

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

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

13.- BALANCES WITH MULTIGROUP, ASSOCIATED AND RELATED COMPANIES

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

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

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

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

14.- SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

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

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

Capital Stock

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

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

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

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

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

Legal reserve

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

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

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

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

Revaluation reserves Royal Decree-Law 7/1996.

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

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

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

15.- MINORITY INTERESTS

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

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

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

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

16.-DEFERRED REVENUES

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

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

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

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

17.- PROVISIONS FOR CONTINGENCIES AND EXPENSES

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

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

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

18.- PAYABLE TO CREDIT ENTITIES

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

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

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

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

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

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

19.-OTHER NONTRADE PAYABLES

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

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

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

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

20.- TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21. - REVENUES AND EXPENSES

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

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

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

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

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

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

25.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

EXHIBIT I

COMPOSITION OF THE INDITEX GROUP

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

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

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

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

EXHIBIT II

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

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

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

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

1999 MANAGEMENT REPORT

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

1.- BUSINESS PERFORMANCE AND SITUATION OF THE GROUP.

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

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

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

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

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

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

3.- OUTLOOK FOR THE GROUP.

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

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

4.- RESEARCH AND DEVELOPMENT ACTIVITIES.

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

5.- ACQUISITION OF TREASURY STOCK.

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

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