

**INDITEX, S.A.**  
**INTERIM HALF YEAR 2004 RESULTS**

1 February to 31 July 2004

- **Net sales reach €2,405.8 million, 22% higher than 1H03. Sales in constant currency grow by 23%.**
  
- **Like-for-like sales for 1H04 grow by 8%**
  
- **Gross profit reach €1,251.9 million, 27% higher. Gross margin is 52.0%.**
  
- **EBITDA rises 28% to €430.1 million.**
  
- **Operating income (EBIT) comes to €286.5 million, 28% higher.**
  
- **Net income reaches €188.0 million (30.2 € cents per share), 29% higher.**
  
- **Net opening of 115 stores in 1H04. The Group foresees the opening of between 325 and 365 new stores in fiscal year 2004 (364 in FY2003).**

This document is of a purely informative nature and does not constitute an offer to sell, exchange or buy, or the solicitation of an offer to buy, securities issued by any of the companies mentioned herein.

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

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

The risks and uncertainties that could affect the forward-looking statements are difficult to predict. The company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events or circumstances that could affect them. Given the uncertainties of forward-looking statements, we caution readers not to place undue reliance on these statements.

For a discussion of these and other factors that may affect forward looking statements and the INDITEX Group's business, financial conditions and results of operations, see the documents and information communicated by the company to the Comisión Nacional del Mercado de Valores (*the Spanish Securities Commission*).

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

## 1. Profit & loss statement

<b>Grupo Inditex</b>				
Interim first half 2004 profit & loss statement				
<i>Millions of euros</i>				
	1H 2004 (*)	1H 2003 (*)	Var % 04/03	FY 2003
Net sales	2,405.8	1,979.3	22%	4,598.9
Cost of sales	(1,153.9)	(990.0)		(2,293.0)
	<b>Gross profit</b>	<b>989.3</b>	<b>27%</b>	<b>2,306.0</b>
	<i>Gross margin</i>	<i>50.0%</i>		<i>50.1%</i>
Operating expenses	(821.8)	(653.8)	26%	(1432.5)
	<b>Operating cash flow (EBITDA)</b>	<b>335.5</b>	<b>28%</b>	<b>873.5</b>
	<i>EBITDA margin</i>	<i>17.9%</i>		<i>19.0%</i>
Fixed assets depreciation	(125.8)	(100.8)		(221.2)
Goodwill amortisation	(5.4)	(4.8)		(9.4)
Provisions	(12.5)	(6.2)		(15.9)
	<b>Operating income (EBIT)</b>	<b>223.7</b>	<b>28%</b>	<b>627.0</b>
	<i>EBIT margin</i>	<i>11.9%</i>		<i>13.6%</i>
Net financial results	(10.3)	(2.0)		(7.9)
	<b>Ordinary income</b>	<b>221.7</b>	<b>25%</b>	<b>619.1</b>
	<i>Ordinary margin</i>	<i>11.5%</i>		<i>13.5%</i>
Extraordinary income (loss)	(1.9)	(13.0)		(5.7)
	<b>Income before taxes</b>	<b>208.7</b>	<b>31%</b>	<b>613.4</b>
	<i>EBT margin</i>	<i>11.4%</i>		<i>13.3%</i>
Taxes	(82.3)	(60.5)		(164.8)
	<b>Net income before minorities</b>	<b>148.2</b>	<b>30%</b>	<b>448.6</b>
	<i>8.0%</i>	<i>7.5%</i>		<i>9.8%</i>
Minorities	(4.0)	(2.1)		(2.2)
	<b>Net income</b>	<b>146.1</b>	<b>29%</b>	<b>446.5</b>
	<i>Net income margin</i>	<i>7.8%</i>		<i>9.7%</i>
	<b>Earnings per share, cents of euro (**)</b>	<b>23.4</b>	<b>29%</b>	<b>71.6</b>
	<b>30.2</b>			

(\*) Unaudited data  
(\*\*) On 623,330,400 shares

## 2. Consolidated Balance sheet

<b>Grupo Inditex</b>			
Consolidated Balance Sheet as of 31 July 2004			
<i>Millions of euros</i>			
	31 July 2004 (*)	31 July 2003 (*)	31 January 2004
<b><u>ASSETS</u></b>			
Net fixed assets (**)	2,305.4	1,949.2	2,118.3
Goodwill	89.6	57.9	53.3
Deferred charges	21.7	14.6	17.9
<b>Total fixed assets</b>	<b>2,416.7</b>	<b>2,021.7</b>	<b>2,189.4</b>
Inventories	536.8	513.3	486.4
Receivables	239.0	146.5	328.9
Cash & cash equivalents	297.2	319.8	496.4
Accruals	8.0	9.7	9.3
<b>Total current assets</b>	<b>1,081.1</b>	<b>989.3</b>	<b>1,320.9</b>
<b>TOTAL ASSETS</b>	<b>3,497.8</b>	<b>3,011.1</b>	<b>3,510.4</b>
<b><u>SHAREHOLDERS' EQUITY &amp; LIABILITIES</u></b>			
Shareholders' equity	2,068.7	1,819.7	2,105.9
Minority interest, deferred revenues & provisions	95.9	70.9	80.0
Long term financial debt	152.5	143.3	156.6
Other long term payables	77.6	41.8	75.2
<b>Long term liabilities</b>	<b>326.0</b>	<b>255.9</b>	<b>311.7</b>
Short term financial debt	156.3	105.2	81.5
Trade and other non-trade payable	946.8	830.3	1,011.2
<b>Current liabilities</b>	<b>1,103.1</b>	<b>935.6</b>	<b>1,092.7</b>
<b>TOTAL LIABILITIES</b>	<b>3,497.8</b>	<b>3,011.1</b>	<b>3,510.4</b>
(*) Unaudited data			
(**) Includes own shares for € 0.45 million.			

## 3. Comments:

### 3.1 P&L account

#### - Net sales

Net sales reach €2,405.8 million, 22% higher than in 1H03, due to the like-for-like sales growth (7.9%), to the increase in selling area (15.3%) and despite the currency translation effect (-1.7%). Sales growth in constant currency is 23%.

The breakdown of openings and existing stores at the end of the period is the following:

Concept	Net openings		Total stores	
	1H 2004	1H 2003	31 Jul 2004	31 Jul 2003
ZARA	27	30	653	561
KIDDY'S CLASS	13	17	116	76
PULL & BEAR	5	26	355	322
MASSIMO DUTTI	10	17	307	267
BERSHKA	19	28	272	225
STRADIVARIUS	16	20	207	173
OYSHO	10	(1)	86	71
ZARA HOME	15	0	41	0
<b>Total</b>	<b>115</b>	<b>137</b>	<b>2,037</b>	<b>1,695</b>

International store sales reach 55.4% of total (vs. 53.9% in 1H03). The area with the highest growth both in sales and profits is Europe ex-Spain, reaching 36.2% of total store sales vs. 34.5% in 1H03.

#### - Like-for-like sales (LFL)

The Group's like-for-like sales grow by 8% in 1H04. Like-for-like represents the annual change in store sales of any concept of the Group that were opened for the whole of 1H04 and 1H03, converted to a fixed exchange rate. The like-for-like calculation includes 69% of total stores sales.

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

	LFL sales						
	2004	2003	2002	2001	2000	1999	1998
First Half	8%	7%	12%	9%	13%	6%	13%
Second Half		(2%)	10%	9%	9%	5%	12%
<b>Full Year</b>		<b>1%</b>	<b>11%</b>	<b>9%</b>	<b>9%</b>	<b>5%</b>	<b>11%</b>

Like-for-like sales growth has been satisfactory in all concepts, with the exception of Kiddy's Class.

By geographical areas, like-for-like sales growth is above Group's average in markets where the Group has entered recently, and marginally below the average in core markets.

### - Sales by concept

Net sales by concept in 1H04 and 1H03 are shown in the table below:

Concept	Net Sales (Million €)			% on total	
	1H 2004	1H 2003	% Chng.	1H 2004	1H 2003
ZARA	1,644.3	1,406.7	17%	68.3%	71.1%
KIDDY'S CLASS	48.4	35.9	35%	2.0%	1.8%
PULL & BEAR	154.6	119.3	30%	6.4%	6.0%
MASSIMO DUTTI	212.2	160.5	32%	8.8%	8.1%
BERSHKA	211.3	168.5	25%	8.8%	8.5%
STRADIVARIUS	89.0	68.4	30%	3.7%	3.5%
OYSHO	29.9	20.0	0.5	1.2%	1.0%
ZARA HOME	16.0	--	n/a	0.7%	--
<b>Total sales</b>	<b>2,405.8</b>	<b>1,979.3</b>	<b>22%</b>	<b>100.0%</b>	<b>100%</b>

The youngest concepts have increased their weight in the Group's total due to their stronger sales growth.

Given the higher weight of international store sales Zara shows the higher currency impact. Zara sales on a constant currency basis is 19%.

## **- Gross Margin**

Gross margin in 1H04 reaches €1,251.9 million, 27% higher, 52.0% on sales vs. 50.0% in 1H03.

The 205 b.p. increase in gross margin is mainly due to higher initial mark-ups and a lower weight of the end of season sale period, due to lower volume and lower markdowns. This sales performance has also resulted in an earlier launch of some Autumn–Winter collection ranges. A lower currency impact versus that of 1H03 has been offset through price increases in those countries with currencies depreciated in previous quarters.

Under current circumstances, Inditex considers that the 205 b.p. recovery in gross margin for the Half Year is sustainable for the whole of FY04.

## **- Operating income (EBIT)**

EBIT in 1H04 reaches €286.5 million, 28% higher than 1H03.

EBIT on sales is 11.9%, with a 61 b.p. increase, due to the gross margin recovery and the operating costs growth.

Operating expenses have grown in accordance with Group's budget, and include all the start-up costs for new openings (essentially leases and salaries paid for stores that are not yet open), but also some additional costs involved after the opening of the second distribution centre for Zara in July 2003.

The ordinary provisions charged correspond mainly to the Group's estimated write-downs of not fully depreciated assets as a result of the refurbishment of existing stores.

EBIT growth is in line or above sales growth for all concepts, except for Kiddy's Class.

## **- Ordinary income**

Ordinary income has increased by 25% in 1H04, to reach €276.2 million.

The breakdown of financial results is shown below:

Millions of euros	1 H 2004	1 H 2003	FY 2003
Net financial expenses	(3.0)	(1.9)	(3.4)
Foreign exchange losses	(7.3)	(0.1)	(4.6)
Net losses of companies carried by the equity method	0.0	0.0	0.1
<b>Total</b>	<b>(10.3)</b>	<b>(2.0)</b>	<b>(7.9)</b>

Financial expenses growth is in line with the net financial position performance.

Foreign exchange losses are principally due to the impact of the Venezuelan Bolivar devaluation in February 2004 as shown in the 1Q04 Results.

## - Net income

Net income increases by 29% to reach €188.0 million.

The tax rate for 1H04 is the best estimate for FY2004 according with current information.

The decrease in the extraordinary losses is due to the €10 million increase in provisions for general risks and contingencies due to the uncertainty in some South American countries booked in 1H03, finally reversed in Q4 03 as the risks provisioned had not materialized.

## 3.2 Balance sheet

The consolidated balance sheet of INDITEX maintains the negative working capital, a consequence of the business model, and shows a minimum financial debt, despite both the ordinary and bonus dividends paid to shareholders last 22 July.

The net financial position is shown in the table below:

<b>NET FINANCIAL CASH (DEBT) (Millions of euros)</b>			
<b>Description</b>	<b>31 July 2004</b>	<b>31 July 2003</b>	<b>31 January 2004</b>
Cash & cash equivalents	297.2	319.8	502.9
Long term financial debt	(152.5)	(143.3)	(156.6)
Short term financial debt	(156.3)	(105.2)	(81.5)
Deferred financial expenses	3.0	2.2	3.5
<b>NET FINANCIAL CASH (DEBT)</b>	<b>(8.6)</b>	<b>73.5</b>	<b>268.3</b>

The table below shows the breakdown of the working capital at 1H04:

<b>WORKING CAPITAL (Millions of euros)</b>			
<b>Description</b>	<b>31 July 2004</b>	<b>31 July 2003</b>	<b>31 January 2004</b>
Inventories	536.8	513.3	486.4
Receivables	239.0	146.5	328.9
Accruals	8.0	9.7	9.3
Trade and other non-trade payable	(946.8)	(830.3)	(1,011.2)
<b>Operating working capital</b>	<b>(162.9)</b>	<b>(160.8)</b>	<b>(186.6)</b>
Cash & cash equivalents	297.2	319.8	496.4
Short term financial debt	(156.3)	(105.2)	(81.5)
<b>Financial working capital</b>	<b>141.0</b>	<b>214.6</b>	<b>414.9</b>
<b>Total working capital</b>	<b>(22.0)</b>	<b>53.8</b>	<b>228.2</b>

## 4. Other information

### - Expected number of openings and CAPEX

At the present date, the Group estimates the net opening of between 325 and 365 stores in FY2004, including those opened during the first half. A detailed list of the openings is shown below:

Concept	FY 2004 Openings forecast		% International	Total 2003
	Range			
ZARA	100	- 105	80%	95
KIDDY'S CLASS	25	- 30	10%	44
PULL & BEAR	30	- 35	25%	54
MASSIMO DUTTI	35	- 40	50%	47
BERSHKA	50	- 55	50%	56
STRADIVARIUS	30	- 35	10%	38
OYSHO	25	- 30	25%	4
ZARA HOME	30	- 35	5%	26
<b>Total openings</b>	<b>325</b>	<b>- 365</b>		<b>364</b>

Expected **CAPEX for FY2004** is between €650 million and €700 million, of which approximately €350 million have been incurred in 1H04. This figure includes €56 million due to the increase in the stakes in Zara Japan and Zara Italy.

### - Beginning of 2H04

During the seven weeks since the beginning of the 2H04, historically an 8% of annual trading, sales growth is according to the Group's expectations taking into account the comparable in the beginning of 2H03.

However the real performance of the whole Second Half can't be assessed until the critical Christmas sales and after-Christmas clearance is through, due to the substantial sales volume over that period.

Based on present assumptions Inditex expects top line growth of 23-25% for the whole year. This year's performance is impacted in some degree by the weakness

of the previous period. The company believes that the growth rate of this year is extraordinary and in the coming year Inditex expects the Group's performance to be in accordance with its long term growth targets.

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The Interim nine months 2004 results will be published on 14 December 2004

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