LETTER FROM THE CHAIRMAN

Dear Shareholders,

Over the past financial year, from February 2005 to January 2006, the Inditex Group has continued to develop the strategies which have characterised our business over recent years, with highly satisfactory achievements both in terms of financial targets and in the development of our sustainability model. In addressing you as Chairman, I can once again confirm that the positive evolution of our business in 2005, the favourable future perspectives and progress made in social and environmental areas are the result of the hard work and dedication of our reliable team, who have managed to respond to the continuous challenges posed by our desire for growth.

This Annual Report has been prepared pursuant to the 2002 Global Report Initiative (GRI) Guidelines and is a balanced and reasonable representation of the economic, environmental and social performance of our organization.

The financial results for 2005 show continued growth in sales, 21%, and a 26% increase in net profit. A turnover of Euro 6,741 million consolidates Inditex's position as a world leader in the fashion retail sector, with operations in over sixty countries.

Sales area has been increased in all sales formats, in particular the younger chains. This growth, principally focussed on international markets, has been achieved via investments totalling over 800 million euros in 2005, allowing 448 new stores to be opened, 70% of these outside Spain. The Group is committed to maintaining this growth rate in 2006 with an investment of between 850 and 950 million euros.

In other markets with great potential, such as Germany, Poland or Russia, Inditex has completed operations in 2005 and 2006 to take over the companies running our stores, in order to strengthen business opportunities. This strategy is one used frequently within the Group, and also has been established for our Japanese subsidiary.

Over the course of the past financial year we have opened stores in five new markets: Monaco, Costa Rica, Indonesia, Philippines and Thailand. Our new presence in the latter three countries forms part of our Asia-Pacific expansion strategy. In addition to increasing our operations in Japan, the major market in this region, and in the other Asian countries mentioned, new stores have been opened in Singapore, Hong Kong and Malaysia. Furthermore, in 2006 we have commenced business activity in Shanghai with our first store in mainland China.

This sustained growth obliges us to renew the objectives of flexibility, adaptability and a capacity for rapid response to the market which have been key to the success of the company's business model. Thus, areas such as logistics, information systems and, particularly, the incorporation and promotion of new human teams are going to be the main areas for the dedication of the managers of the Group in their already-announced work of increasing the commercial area by between 15 and 20 per cent on average over the next few years.

Another of the areas into which the Group will continue channel special effort is the development of sustainability policies, both in the social and environmental dimensions. In the latter case, over the past year we have completed the Strategic Environmental Plan 2002-2005, providing the Group with a Global Environment Management System which can be adapted to the new requirements resulting from business expansion and to new technology in environmental areas. Furthermore, we have now put in place a New Strategic Plan spanning until 2010, mainly concentrating on ongoing training, and improved eco-efficiency in all business areas.

As regards social responsibility, in 2005 over 1,000 external suppliers were monitored around the world, to ensure proper employment conditions for their staff. In this area, we are currently reducing our overall number of suppliers, in line with our policy of concentrating our production with manufacturers meeting the highest levels of compliance with our Code of Conduct. During 2005 we implemented corrective action plans in over 300 offices.

Inditex has continued to develop social investment programmes in Latin America, Asia and Northern Africa, mainly aimed at promoting education and strengthening community networks. These schemes, all of which are run by non-governmental organisations, allow Inditex to demonstrate a social concern for the areas in which the Group is active and to encourage the creation of a social fund to foster development in these geographical areas.

Finally, I would like to mention that in October of last year, Inditex joined the Ethical trading Initiative (ETI), an alliance formed by large retail companies, manufacturers, trade unions and non-governmental organisations to ensure compliance with international standards among suppliers.

All these future objectives will demand new management efforts. For this reason, in 2005 we reinforced our senior management structure with the creation of six directorships to cover key aspects of our growth strategy. At the top, we appointed our new Deputy Chairman and CEO, Pablo Isla. The overall experience brought by our team, and the further contribution of those joining the Group, enables us, as throughout our company history, to maintain a sound business culture with which to face each new challenge. The current challenge for our staff, - due to exceed 60,000 people in 2006- is one which will shape the immediate future of our company; to tackle the prospect of working on a global scale, with the world market as our reference point, with our habitual effort, humility and determination. I am totally confident that the collective spirit which has allowed Inditex to maintain its rate of growth over recent years will remain constant in the light of this new future prospective and face them with the same illusion and tenacity as ever.

Amancio Ortega Gaona
Chairman