

FY2003 Results Presentation

24 March 2004

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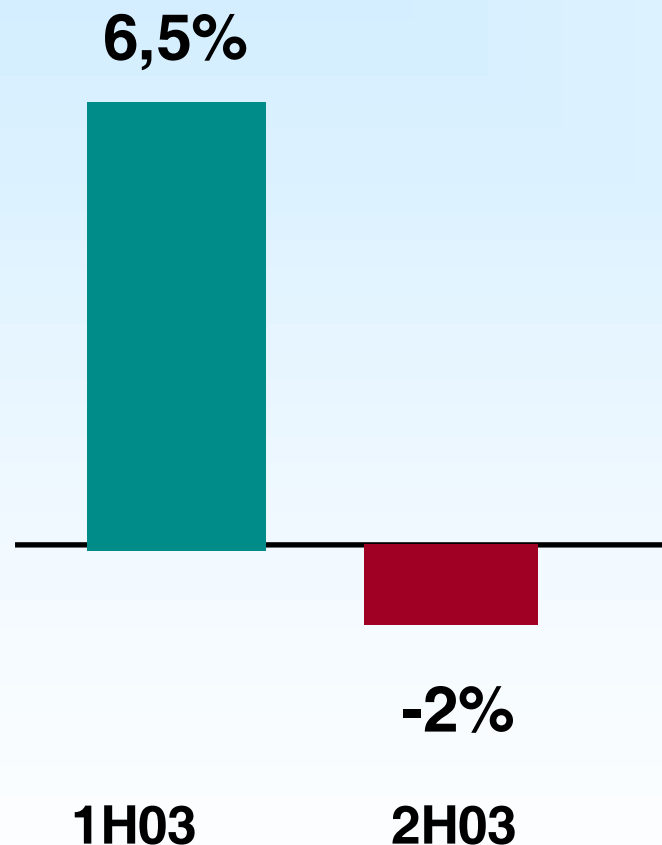
José María Castellano

Deputy Chairman & CEO

- **FY2003 Results**
 - Overview
 - Financial summary
 - Concepts
- **Outlook**
 - FY2004
 - Strategic Overview

FY2003: Overview

Like-for-like growth

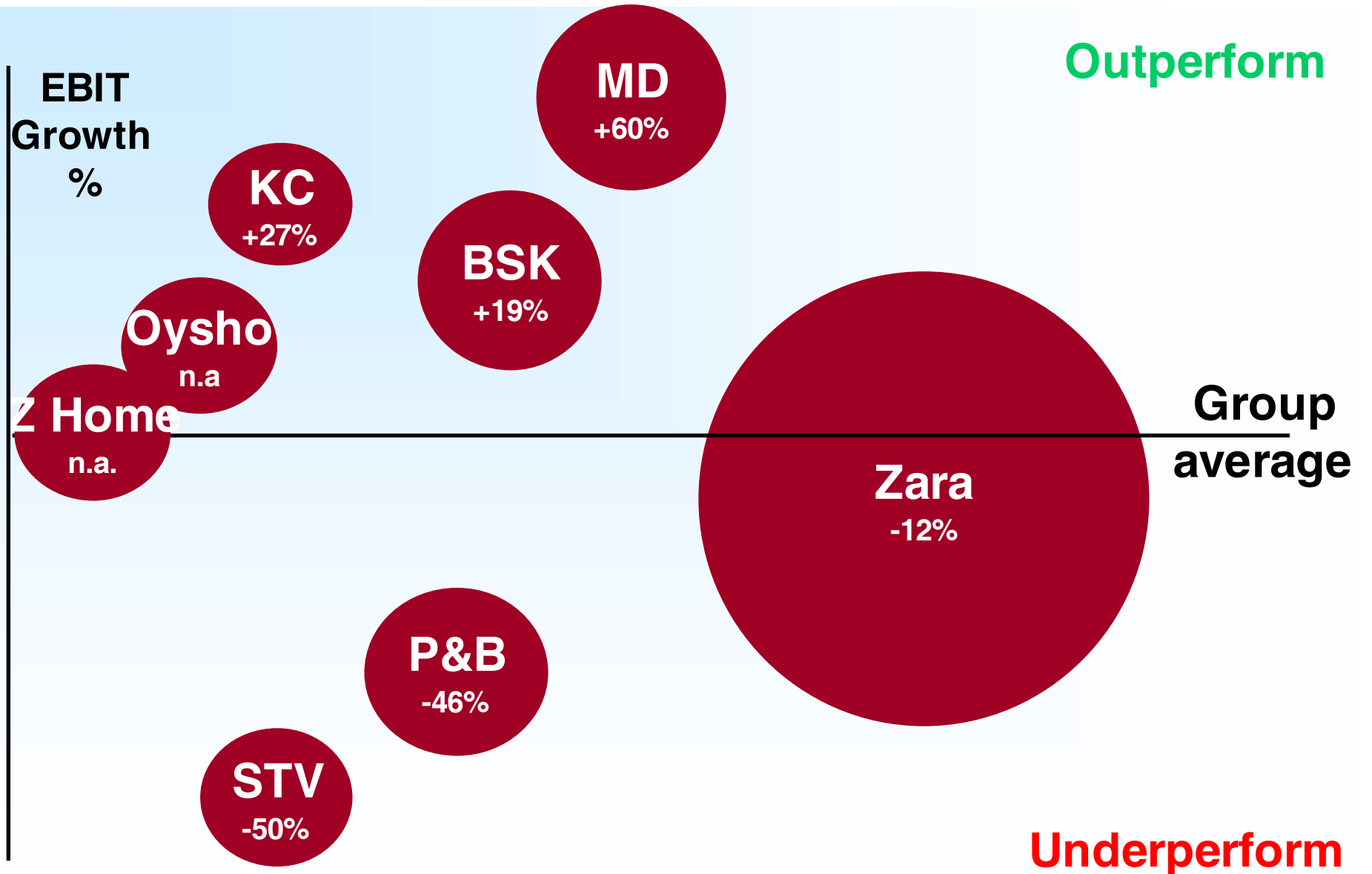


2nd Half 2003:

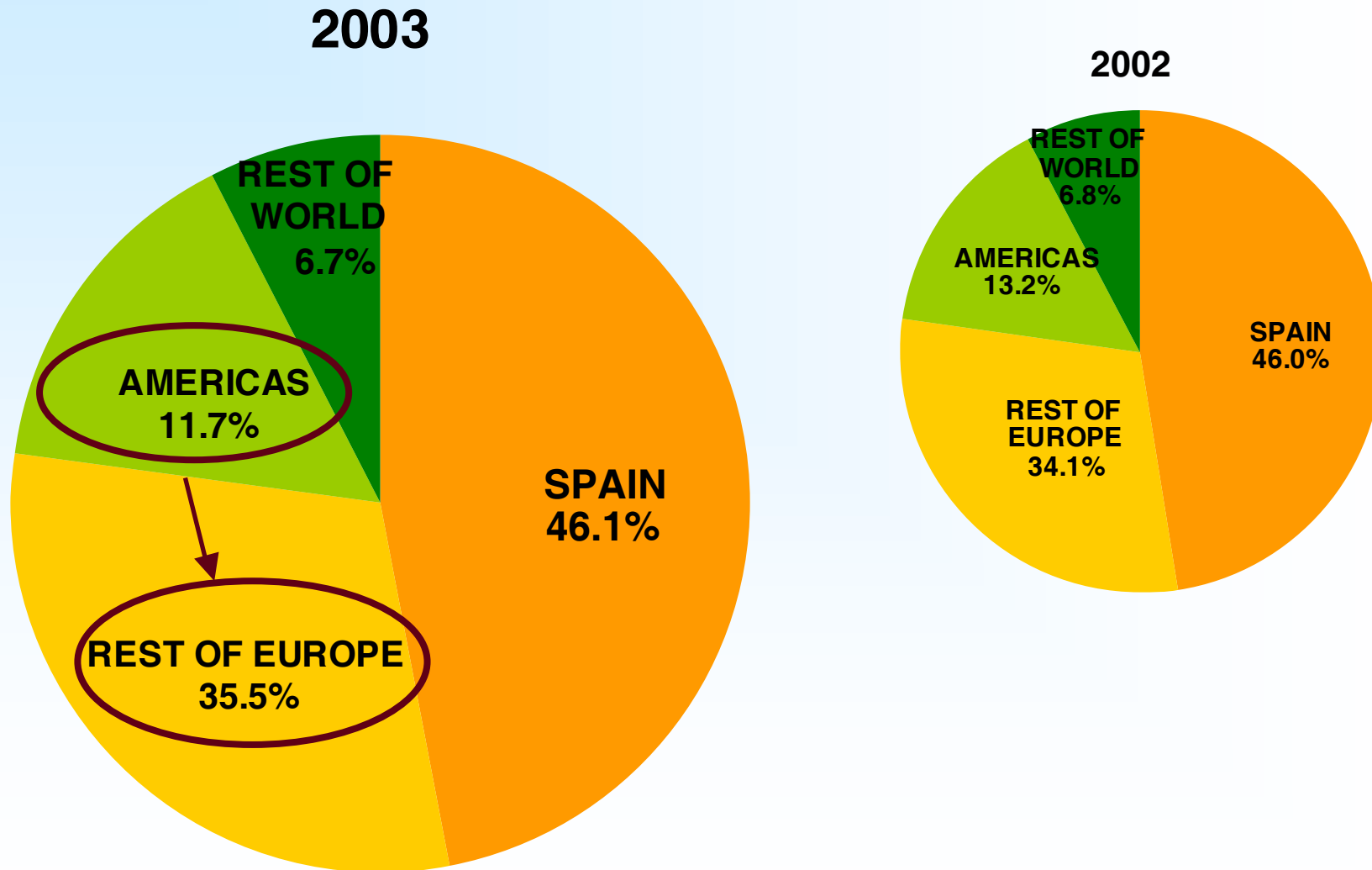
- Unseasonable warm weather in Q3
- Strong discounting activity in Q4
- Underperformance in some concepts
- Higher weight of end-of-season sales period

Performance per concepts

INDITEX



Geographic breakdown of store sales



(1) Store sales: Includes sales in OMS and franchises

FY2003:

INDITEX

- **Sales growth +16%**
- **LFL sales growth +1%**
- **364 net store openings**
- **Net income growth +2%**
- **RoCE 32%**

Borja De La Cierva

CFO

Financial summary

Highlights

INDITEX

million €	2003	2002	% 03/02
NET SALES	4,599	3,974	16%
GROSS MARGIN <i>% margin</i>	2,306 <i>50.1%</i>	2,048 <i>51.5%</i>	13%
EBITDA <i>EBITDA margin</i>	874 <i>19.0%</i>	868 <i>21.8%</i>	1%
EBIT <i>EBIT margin</i>	627 <i>13.6%</i>	660 <i>16.6%</i>	(5%)
NET INCOME EPS	447 71.6	438 70.3	2%

Sales growth

INDITEX

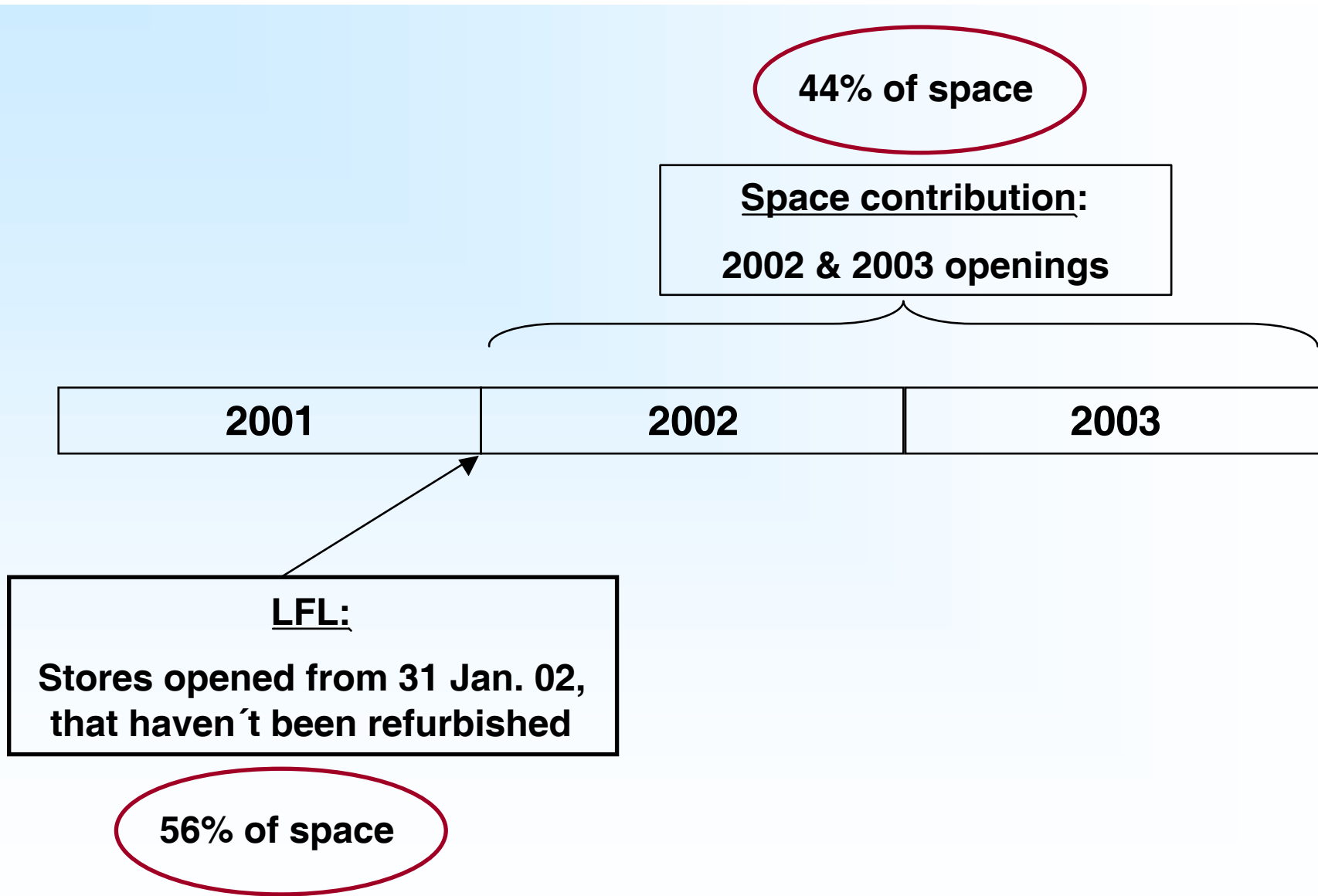
Space contribution +19%

LFL +1%

Currency impact (4%)

Top line growth **16%**

LFL vs. Space contribution



Selling area

	FYE2003	Change
Total space (m ²)	988,357	+25%
Average new store size (Zara) (m ²)	1,300	+24%
Space contribution	+19%	

Space growth vs. Space contribution

Space growth +25%

Space contribution +19%

- Bigger size of new stores
- Ramp-up of new openings

Initial lower sales density, as expected

Currency impact on sales growth

	MXP			EUROS		
	2003	2002	VAR	2003	2002	VAR
Sales in Mexico	2,800	2,500	12%	226.2	266.0	(15%)



AVERAGE MXP/€		
2003	2002	VAR
12.38	9.40	(32%)

Currency impact on Gross margin

	<u>MXP</u>			<u>EUROS</u>		
	2003	2002	VAR	2003	2002	VAR
Sales in Mexico	2,800	2,500	12%	226.2	266.0	(15%)
COST OF GOODS SOLD	(1,456)	(1,000)		(118)	(106)	
GROSS PROFIT	1,344	1,500		109	160	
GROSS MARGIN	48%	60%	1200 b.p.	48%	60%	1200 b.p.



AVERAGE MXP/€		
2003	2002	VAR
12.38	9.40	(32%)

Currency impact on Financial Results

INDITEX

	<u>MXP</u>			<u>EUROS</u>		
	2003	2002	VAR	2003	2002	VAR
SALES IN MÉXICO	2,800	2,500	12%	226.2	266.0	(15%)
COST OF GOODS SOLD	(1,456)	(1,000)		(118)	(106)	
GROSS PROFIT	1,344	1,500		109	160	
GROSS MARGIN	48%	60%	1200 b.p.	48%	60%	1200 b.p.
TRADING LIABILITIES (10 M€)	123.8	94				
EXCHANGE LOSS	30			2.4		

Financial effect

AVERAGE MXP/€		
2003	2002	VAR
12.38	9.40	(32%)

Currency impact: summary

	1Q03	1H03	3Q03	FY03
Translation effect	(7%)	(6%)	(4%)	(4%)
→ Lower growth in Sales & EBIT				
Gross margin impact		1H03	2H03	FY03
→ Lower Gross Margin		(100 bp)	(70 bp)	(84 bp)
Financial impact				
→ Financial charge				€4.6 m

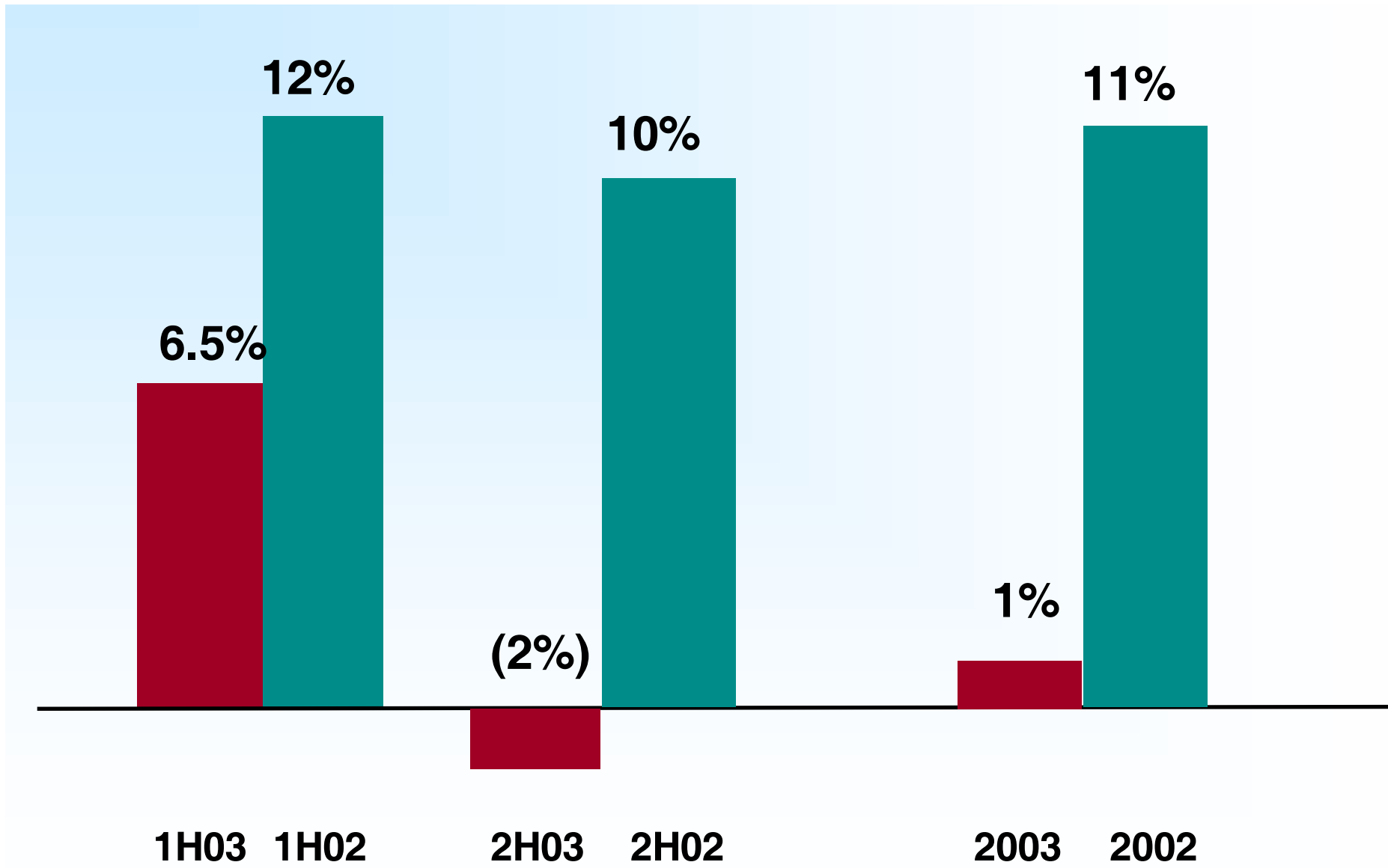
EBIT growth on constant currency

INDITEX

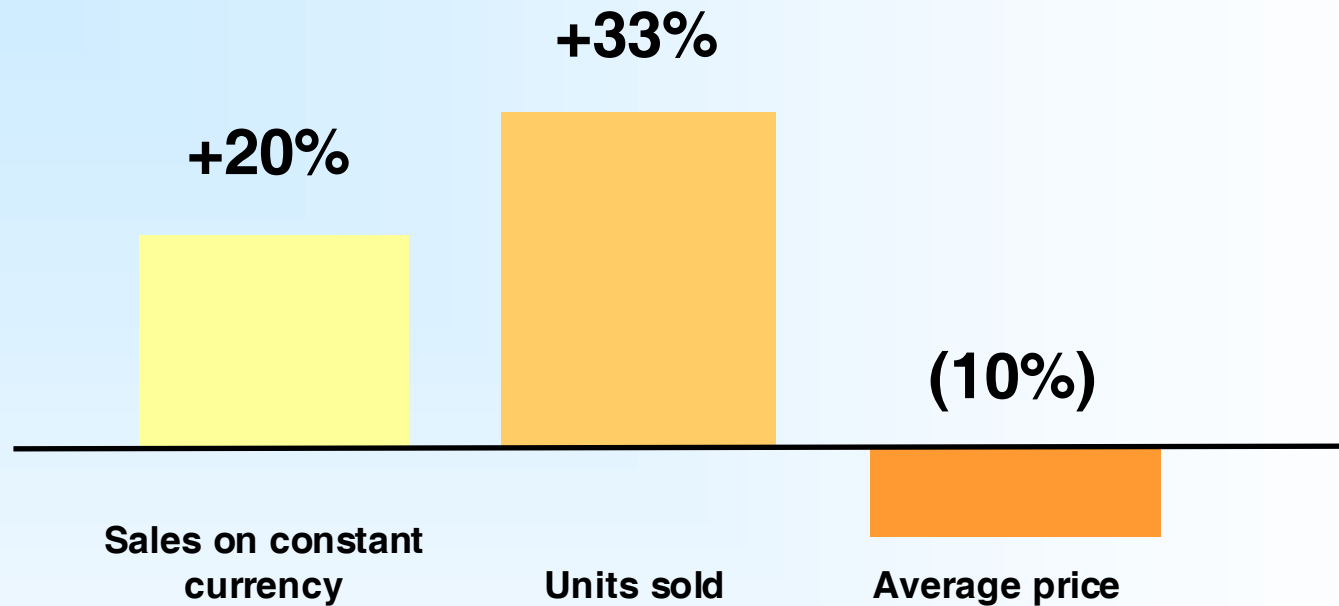
	1H2003	2H2003	FY2003
EBIT growth	10%	(12%)	(5%)
Translation effect	6%	3%	4%
Gross margin effect	9%	6%	7%
TOTAL	25%	(3%)	6%

Like-for-like growth

INDITEX



Volume vs. price



- High temperatures in Europe over 3Q
- Fashion mix: lighter garments
- Increase in market share

Gross margin

INDITEX

(basis points)	H1	H2	FY03
Currency impact	(100)	(70)	(84)
Pricing in Euro-land	--	(25)	(14)
Inventory mgmt. & product mix	(18)	(60)	(42)
	(118)	(155)	(140)

- Higher weight of sales period in both seasons
- Lighter product ranges in Autumn-Winter 2003
- Strong impact in Q4 previous year (200 bp)

Quarterly gross profit: consistency

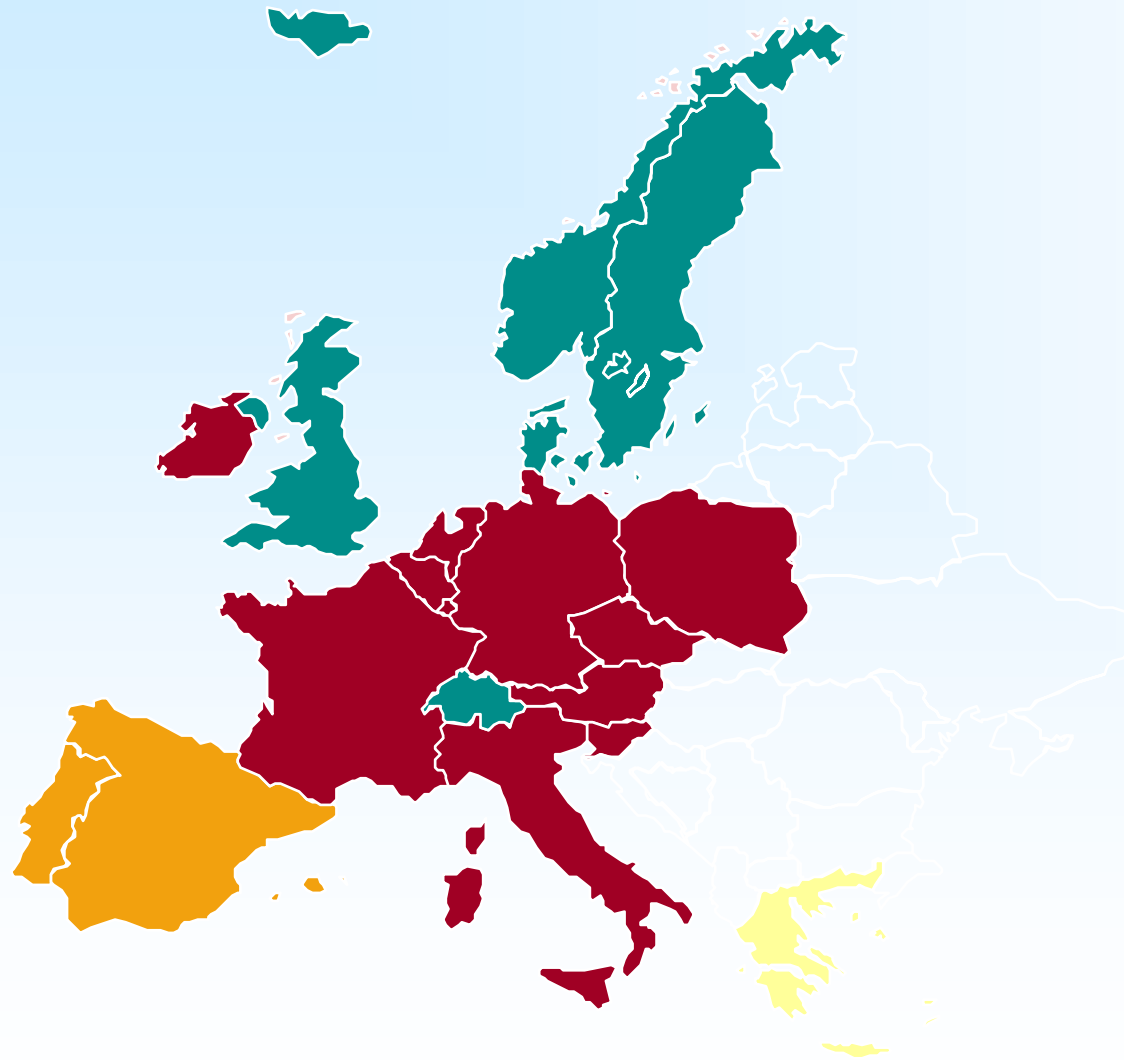
(Change in basis points)





	Q1	Q2	Q3	Q4
FY 2002	22	27	27	(193)
FY 2003	(48)	(184)	(249)	(61)

- **Currency impact spread over the year**
- **Weight of mark-downs in Q2 & Q4**
- **Q4 2003 compares with a lower margin in Q4 2002**

Pricing policy in Europe

INDITEX




-  Base price = 100
-  Euroland ex Iberia = 125
-  Greece = 110
-  Other = 135

EBIT Margin

(Change in basis points)

Gross margin	(140)
Operating de-leverage	(160)
<hr/>	
Change in EBIT	(300)



+1% LFL is below the level required to offset the impact of new stores

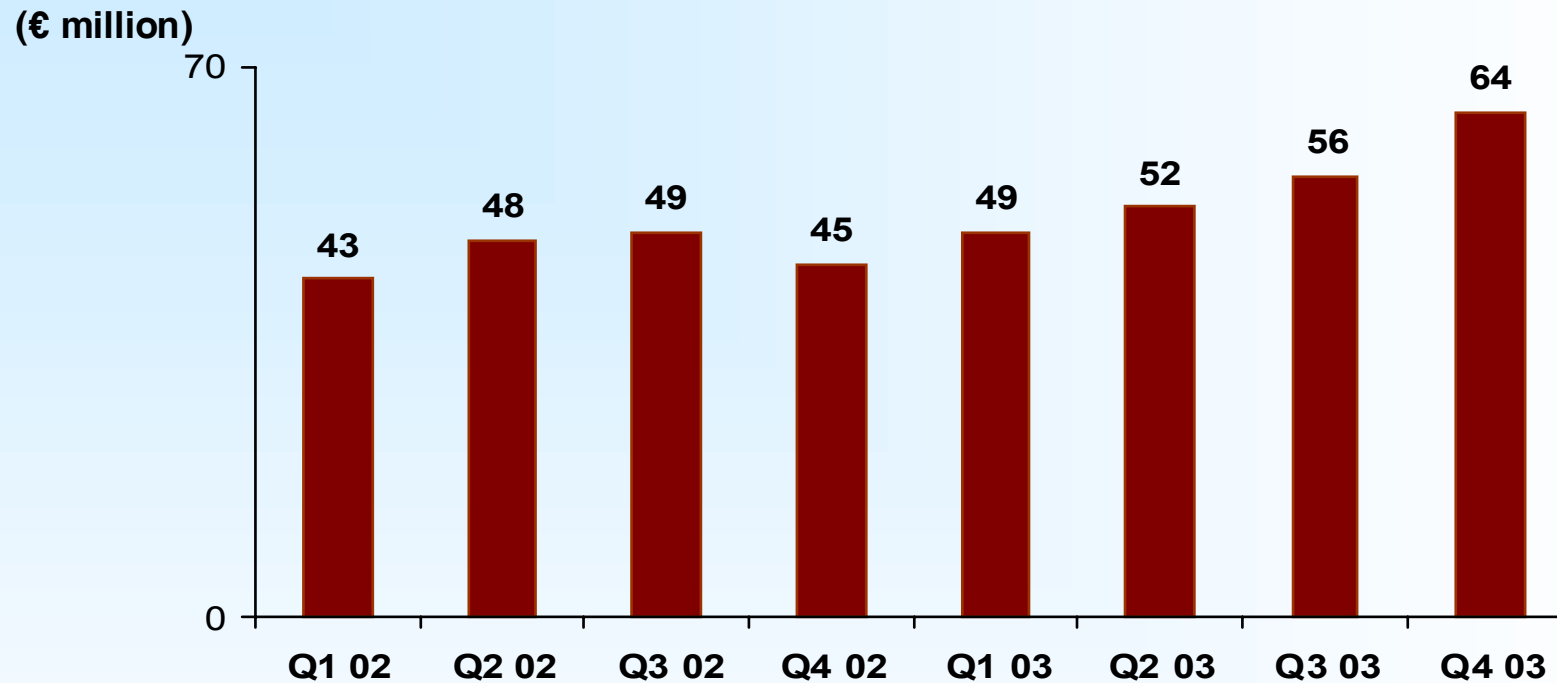
Operating de-leverage

	Audited FY 2003	Var
Sales	4.598,9	16%
Cost of sales	(2.293,0)	
Gross profit	2.306,0	13%
<i>Gross margin</i>	50,1%	-139 b.p.
Cash & Non cash expenses	(1.678,9)	
EBIT	627,0	-5%
<i>EBIT margin</i>	13,6%	-296 b.p.

Adjustments	FY 2003 Adjusted	Var
LFL of 6% instead of 1%	4.826,6	21%
2002 gross margin	(2.339,4)	
	2.487,2	21%
	51,5%	
Increase of 10 mill €	(1.688,9)	
	798,2	21%
	16,5%	

- **INDITEX requires approx. a 6% LFL to sustain its P&L structure**
- **Higher operating costs of international expansion**
- **Ramp-up of new stores (+25% space)**

Depreciation: quarterly performance



- Calendar of openings (65 Zara openings in 2H 03)
- New DC progressively in operation in 2H 03

Financial expenses

(€ million)	Q1	Q2	Q3	Q4	FY
Financial expenses	0.2	(2.2)	(3.4)	2.0	(3.4)
FX losses	1.0	(1.1)	(0.4)	(4.1)	(4.6)
Other	0.0	0.1	(0.1)	0.1	0.1
	1.2	(2.0)	(3.9)	(2.0)	(7.9)

- Financial expenses according to financial position
- Q4 03: Impact of Latam currencies driven by USD weakness

Extraordinary results

(€ million)	Q1	Q2	Q3	Q4	FY
Risk provisions	5	5	5	(15)	--
Other	0	3	2	0.8	5.7
	5	8	7	(14.2)	5.7

- Remarkable profit in Venezuela
- Recognition of FX Losses via financial charge
- Better outlook for capital repatriation

Working capital

	FY03	Var	% Var
Inventories	486	104	27%
Trading receivables	129,5	32	33%
Trading liabilities	(652,4)	-146	29%
WC from trading operations	(36,5)	(10,5)	40%
Tax accounts	(77,2)	43	(36%)
Capex liabilities	(8,3)	24	(74%)
Personnel	(52,1)	4	(7%)
Other	(12,6)	-9	215%
WC from non-trading operations	(150,2)	62,6	-29%
Total operating working capital	(186,6)	52,2	-22%

Consistency:
Space growth +25%

- €20 m Deferred tax classified as Long Term liability
- €10 m lower Tax rate
- €6 m lower Sales bonus to personnel
- €24 m payment to former STD owner & liabilities from new DC
- Cash flow statement includes an increase of WC financing

Inventory position

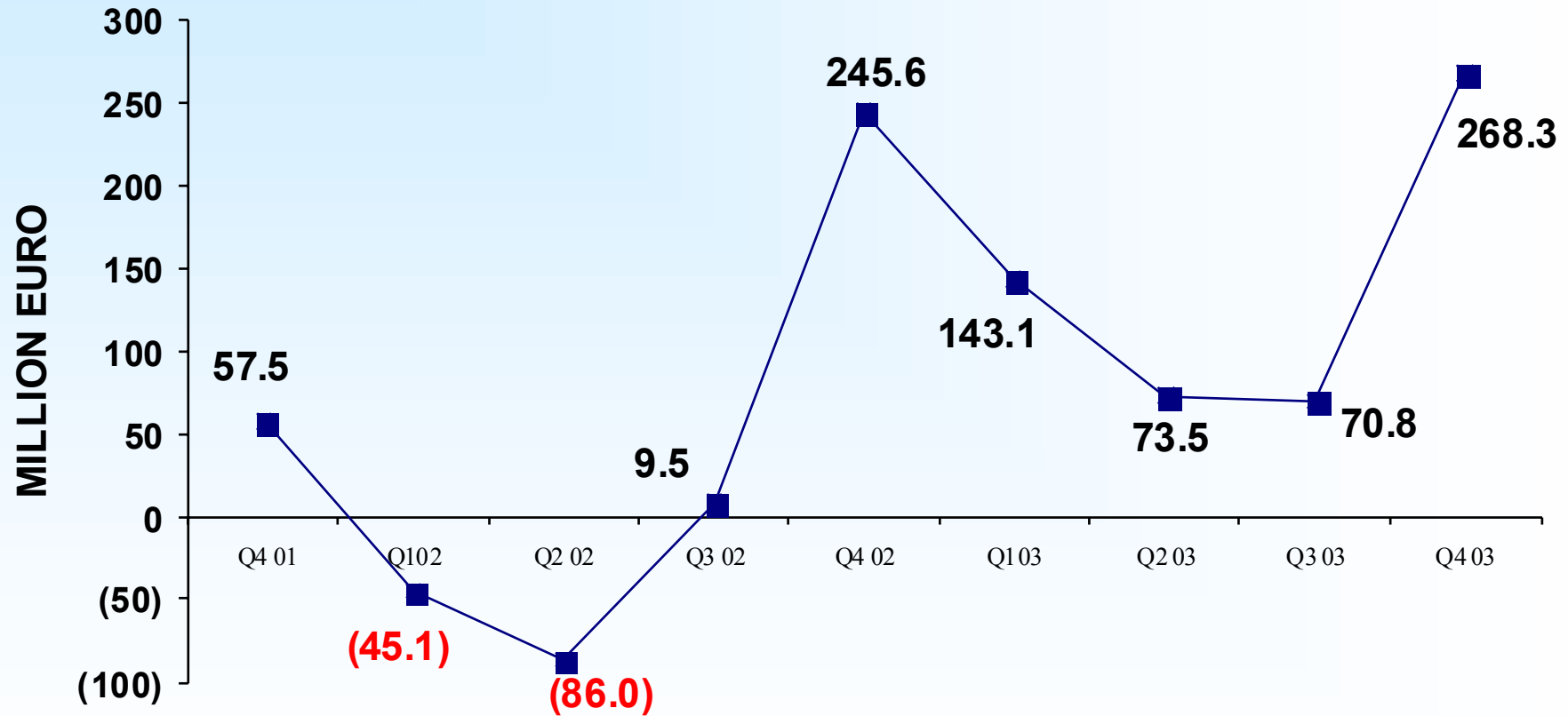
	FYE03	FYE02
Inventory position (€ mill.)	486	382
Increase y-o-y	27%	8%
Commitment for 1H04	60%	60%

Cash Flow

(€ million)	FYE03	FYE02
Cash from operations	725.9	747.0
CAPEX	628.4	467.2
Free Cash Flow	97.5	279.8

Financial position

NET FINANCIAL POSITION 2002 & 2003



Marcos López

Capital Markets Director

Inditex concepts

Zara

million €

	2003	% 03/02	On constant currency
Sales	3,219.6	11%	15%
EBIT	476.1	(12%)	(1%)
EBIT margin	14.8%	-370 pb	15.8%
Stores	626	+95	+95
ROCE	33%	(10%)	37%

- 64% Int’nal sales
- Largest currency impact
- Men & children under-performed
- Ramp-up of new stores
- De-leverage

Kiddy's Class

million €

	2003	% 03/02
Sales	89.7	49%
EBIT	18.0	27%
EBIT margin	20.0%	-340 bp
Stores	103	+44
ROCE	80%	(51%)

- Higher expansion rate
- De-leverage

Pull & Bear

million €

	2003	% 03/02
Sales	287.9	8%
EBIT	18.9	(46%)
EBIT margin	6.6%	-650 pb
Stores	350	+54
ROCE	16%	(23%)

- Underperformance collection-related
- Sourcing changes for 2004: flexibility
- Lower expansion rate in 2004

Massimo Dutti

million €

	2003	% 03/02
Sales	388.9	35%
EBIT	60.1	60%
EBIT margin	15.5%	+240 pb
Stores	250	+47
ROCE	49%	+7%

- **Outperformed**
- **Strong leverage**
- **Entering in larger European markets**

Bershka

million €

	2003	% 03/02
Sales	395.0	32%
EBIT	48.1	19%
EBIT margin	14.5%	(160 pb)
Stores	253	+56
ROCE	46%	(3%)

- Currency impact
- Outperformed mainly in 1st half
- Entering in larger European markets

Stradivarius

million €

	2003	% 03/02
Sales	162.0	31%
EBIT⁽¹⁾	4.4	(50%)
EBIT margin	2.7%	(530 pb)
Stores	191	+38
ROCE	5%	(7%)

- Under-performed
- Management issue
- New supporting team
- Results in 2H04

(1) Before goodwill amortisation

Oysho

million €

	2003	% 03/02
Sales	45.1	93%
EBIT	2.1	n.a.
EBIT margin	4.7%	n.a.
Stores	76	+4
ROCE	7%	n.a.

- **Outperformed**
- **Focussed on target market**
- **Break-even one year in advance**
- **Higher expansion rate in 2004**

Zara Home

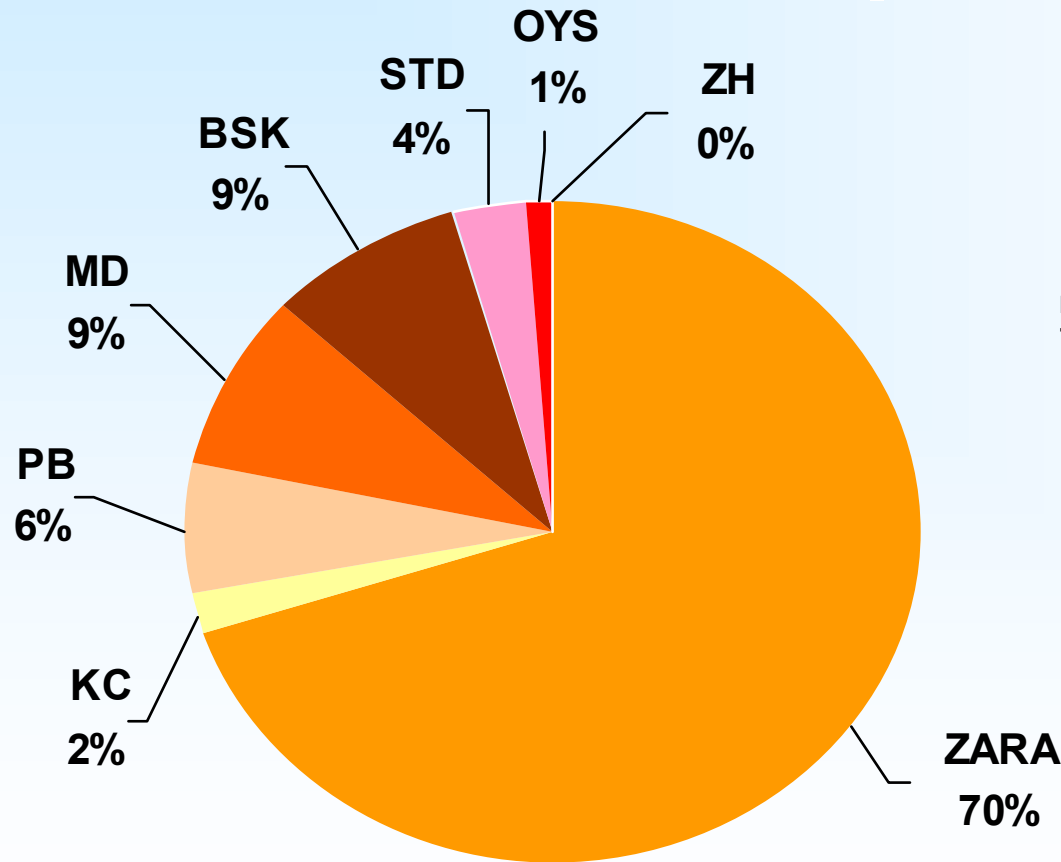
million €

	2003
Sales	10.6
EBIT	(0.5)
EBIT margin	n.a.
Stores	26
ROCE	n.a.

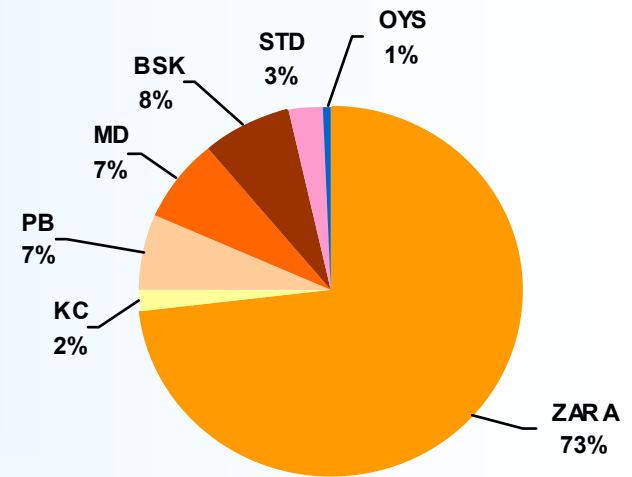
- In-line with expectations
- Still in launch phase

Breakdown of store sales by concept

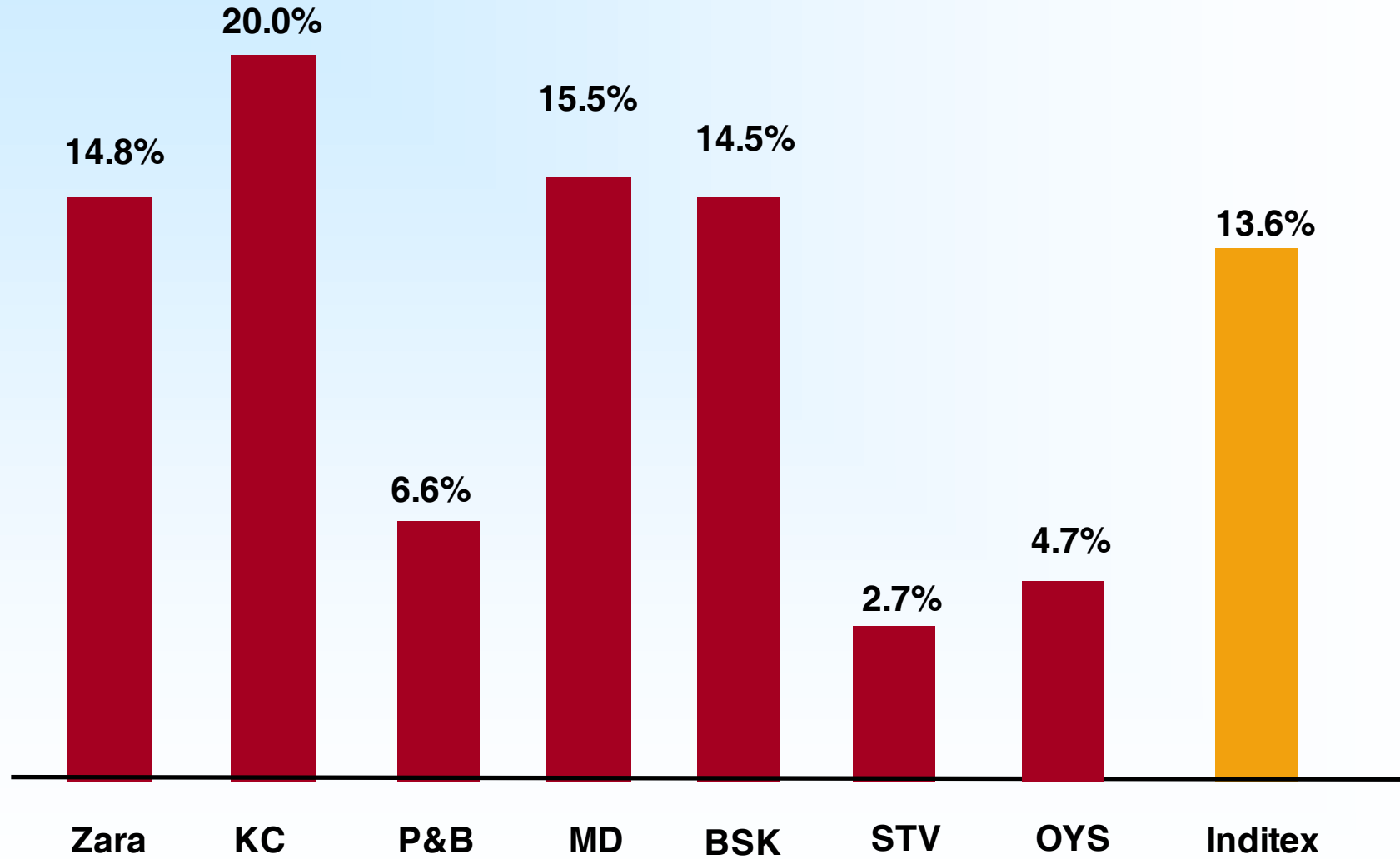
2003



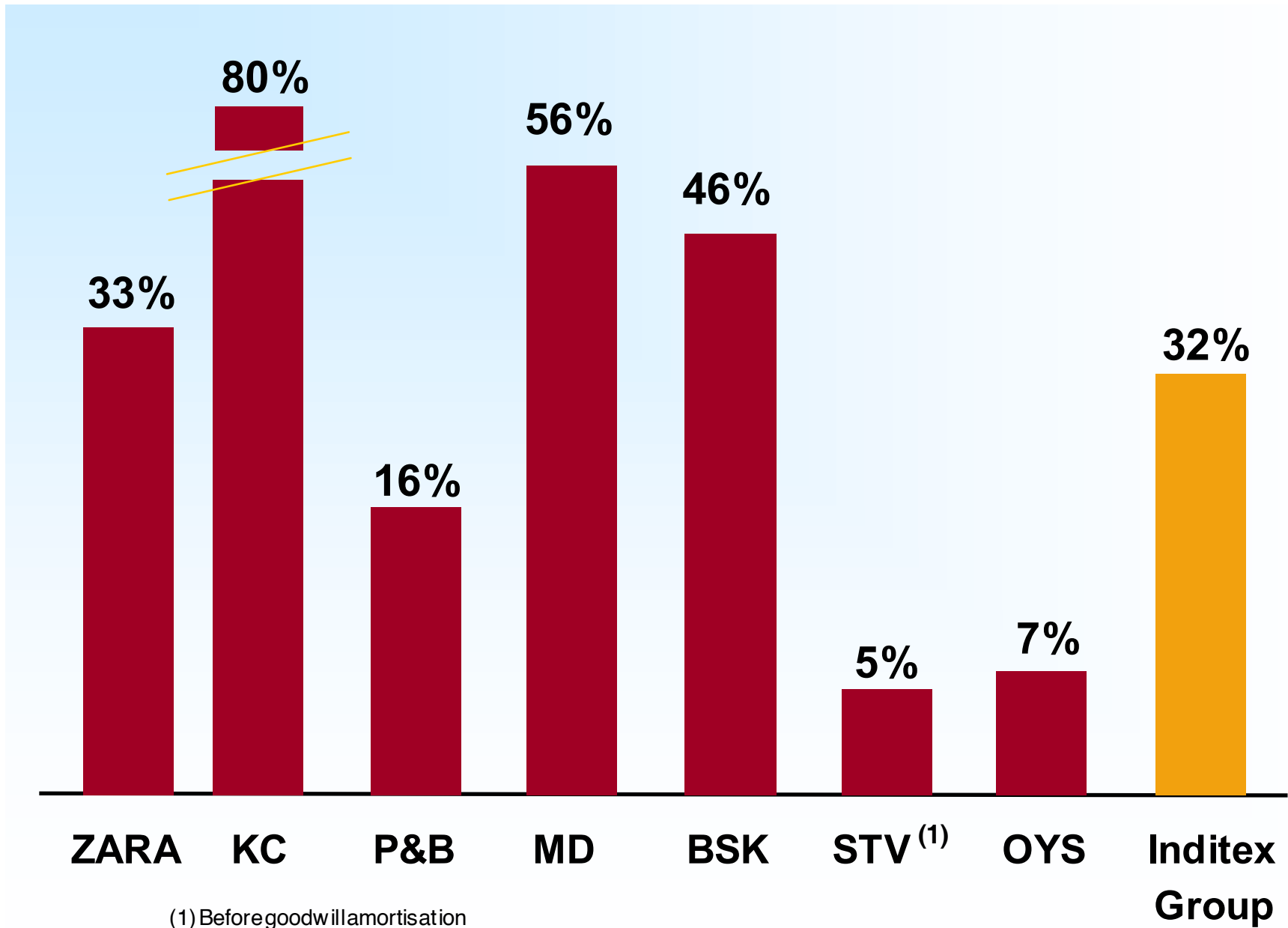
2002



EBIT margins by concept



ROCE by concept



(1) Before goodwill amortisation

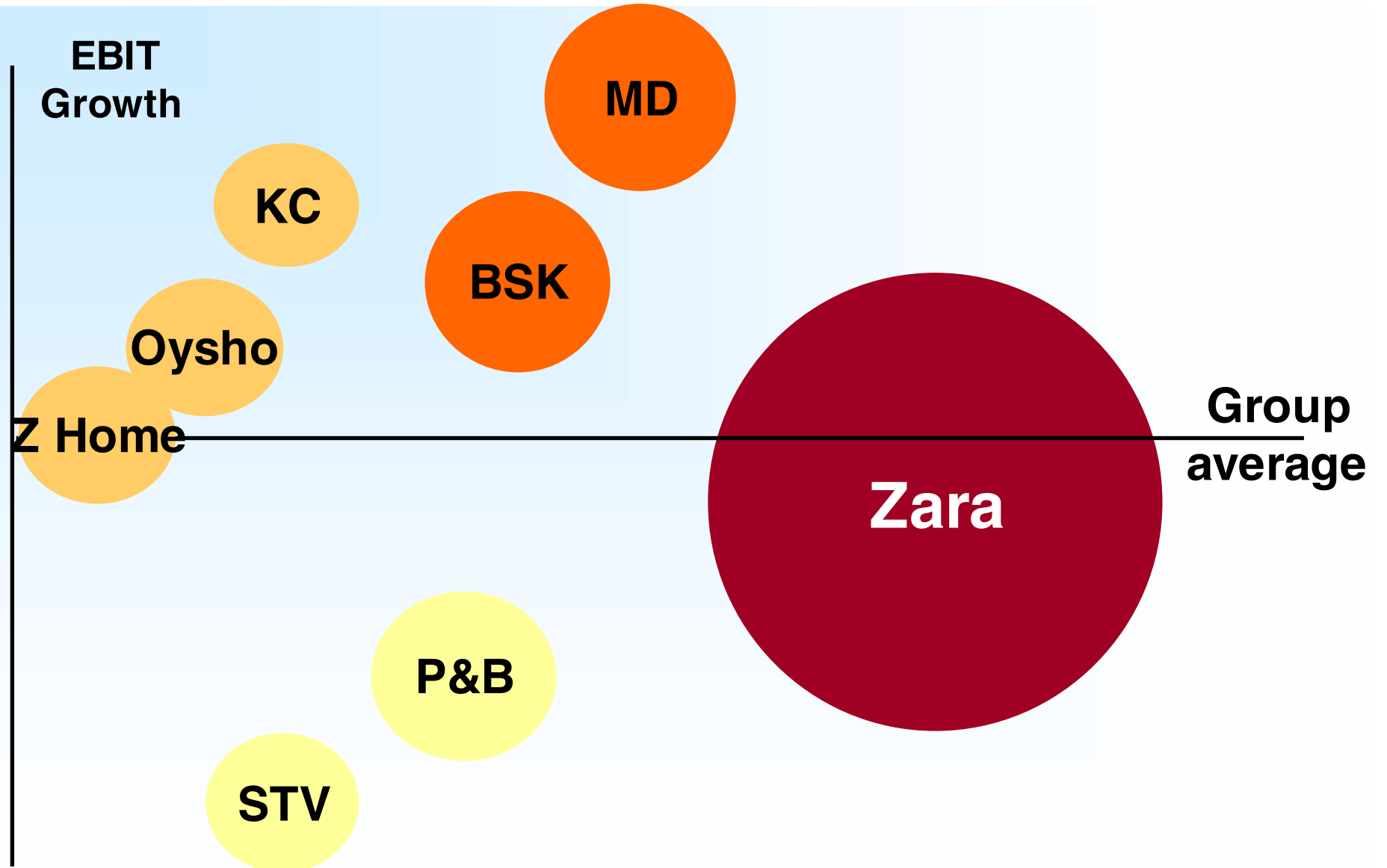
José María Castellano

Deputy Chairman & CEO

Growth prospects

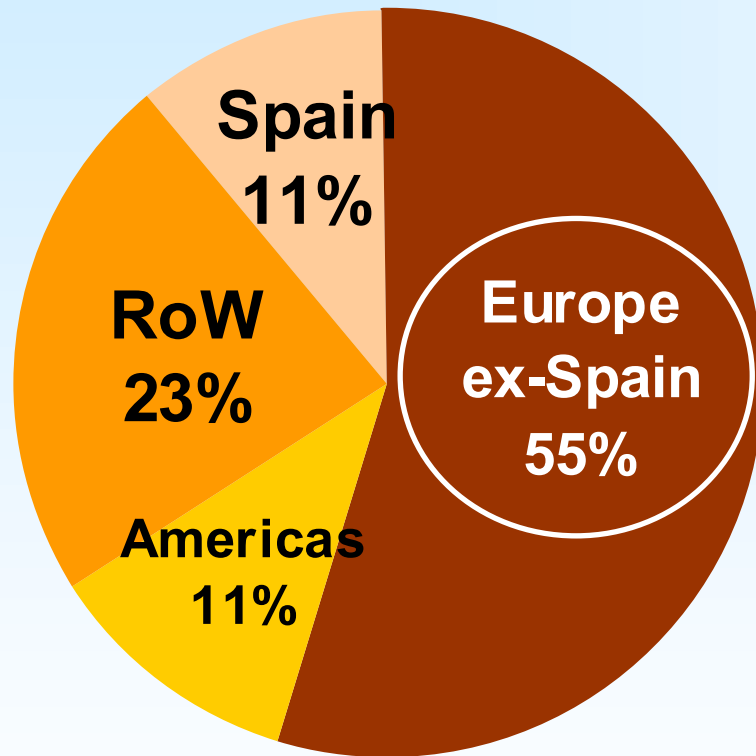
FY2004:

INDITEX



FY2004: Zara

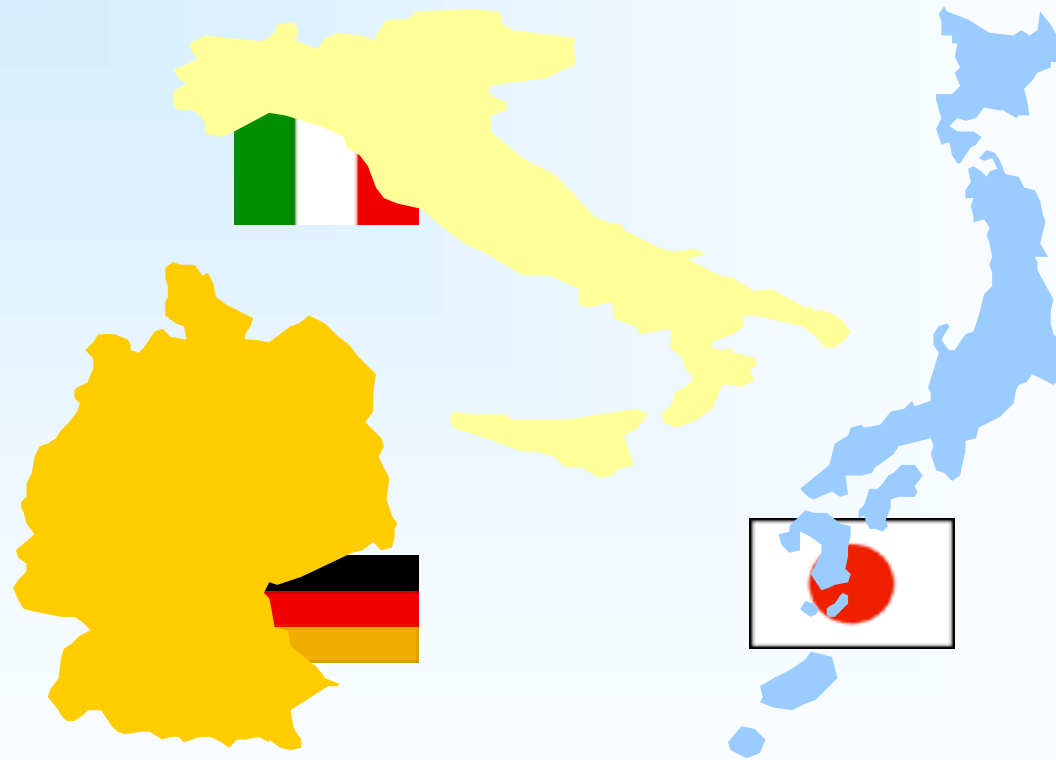
Breakdown of Zara store openings per market



- Deeper expansion in key European markets:
 - Italy, U.K., France, Germany
- Other selected International markets

FY2004: Zara

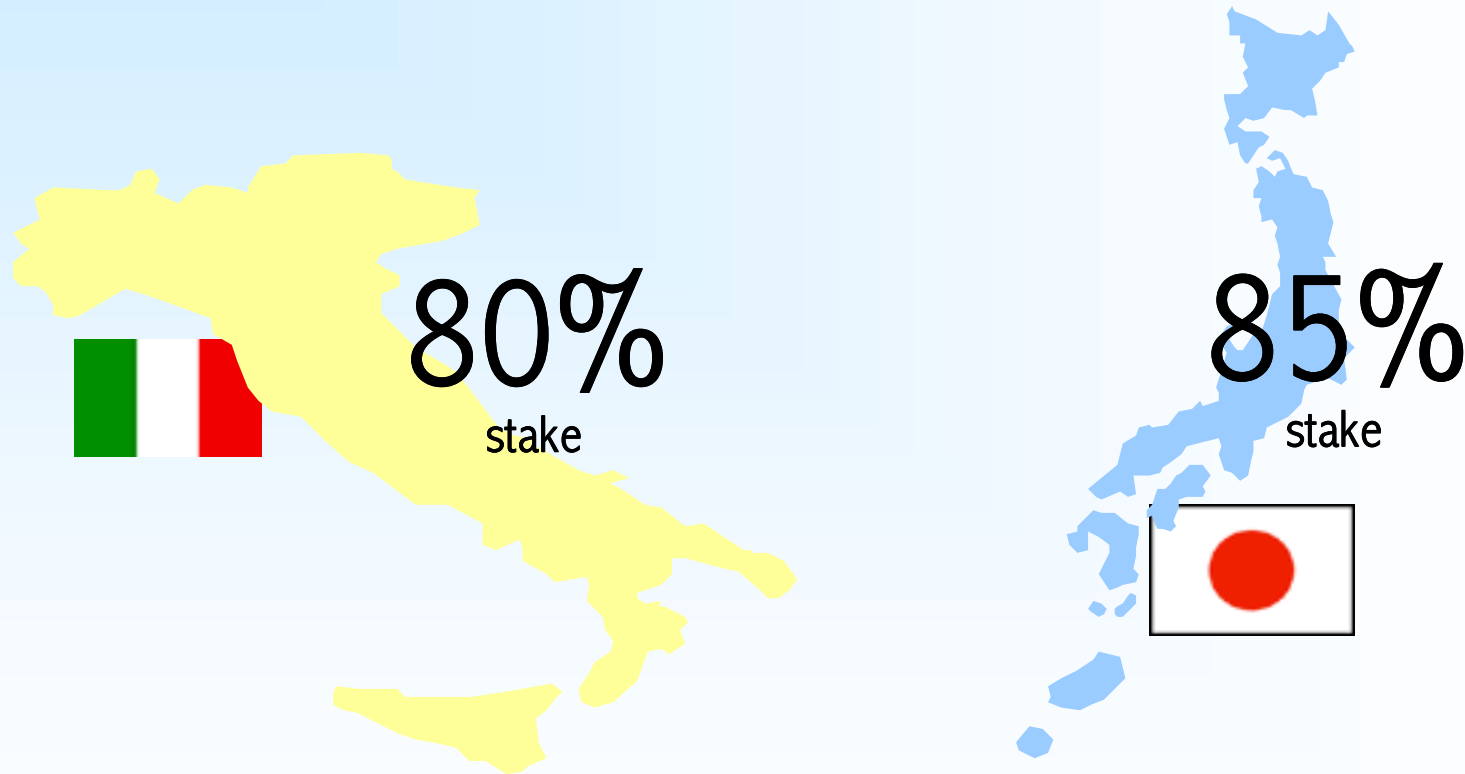
In FY2003 ...



Growing through 50% JV's

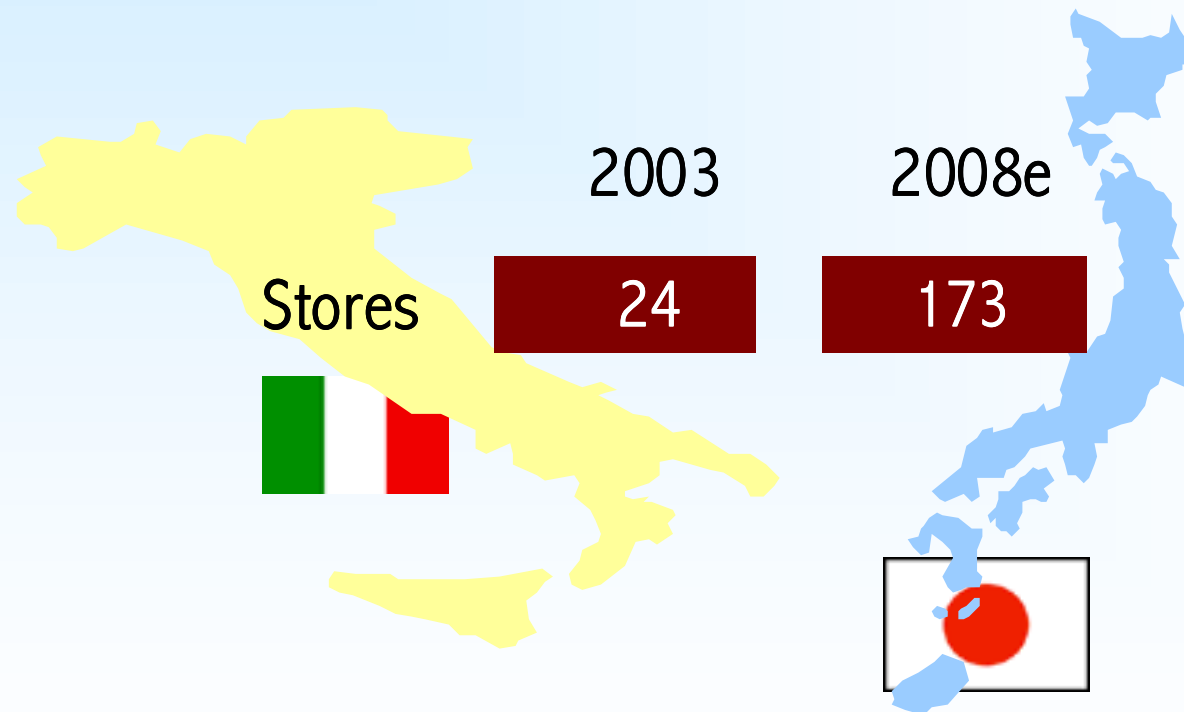
FY2004: Zara

To be increased



FY2004: Zara Italy, Zara Japan

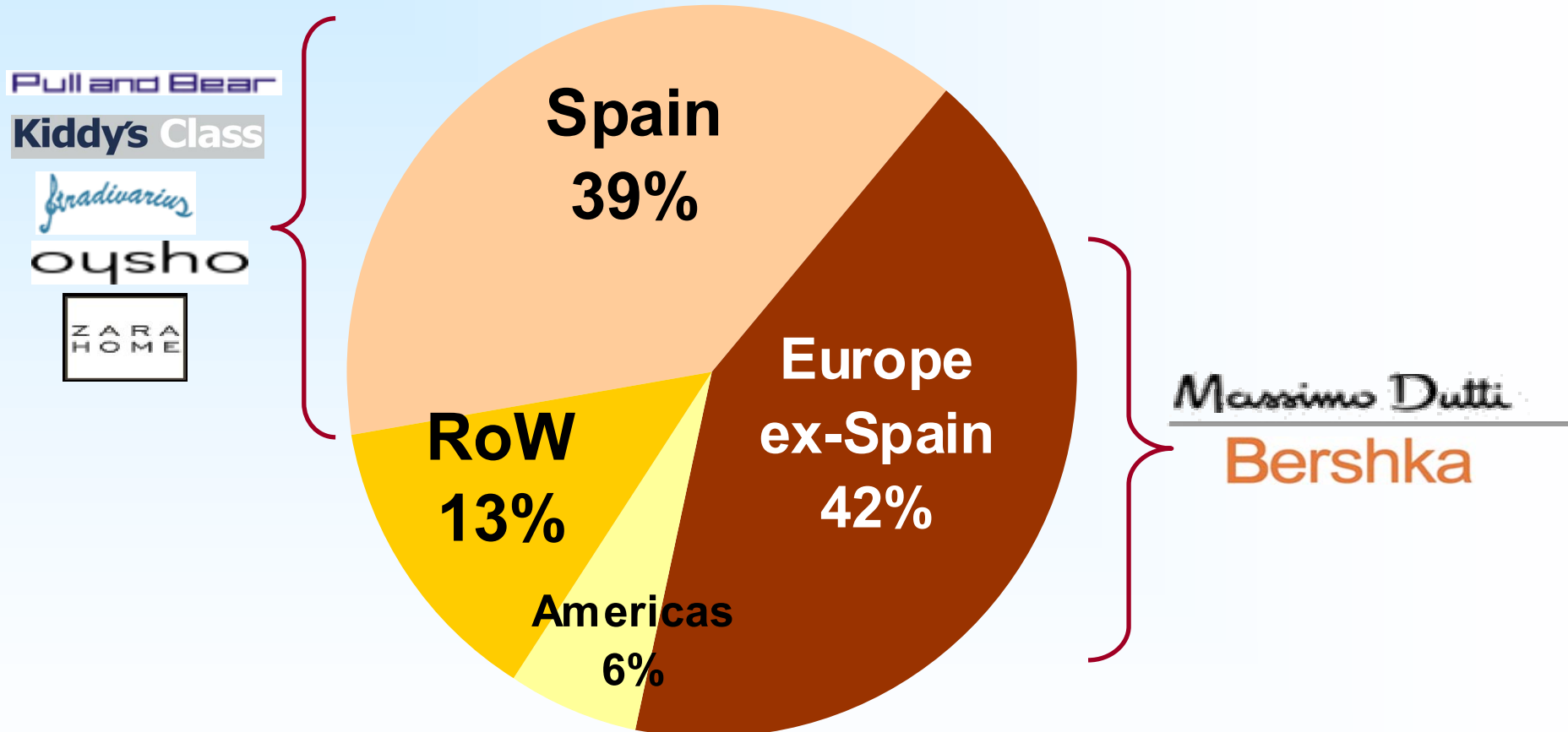
- Inditex to increase shareholding to:
 - 80% of Zara Italy (prev. 51%)
 - 85% on Zara Japan (prev. 50%)



- Investment included in CAPEX for 2004
- No material impact on P&L in FY2004

FY2004: Group

Breakdown of Group store openings per market



FY2004: Stradivarius

- **From Dec. 2003: 10-strong team from Inditex overseeing two major functions at Stradivarius:**
 - **Sourcing management**
 - **Store management operations**
- **Temporary slowdown in expansion plan**
- **Stradivarius sourcing management changed**
- **Full-replication of Inditex model**
- **Results in 2nd Half 2004**

FY2004: Pull&Bear

INDITEX

- **Strong focus on Spring–Summer collection**
- **Introduce in-season flexibility**
- **Temporary slowdown in expansion plan**
- **Results in 1st Half 2004**

FY2004: CAPEX

- Expected CAPEX 650-700 MM €
- Store opening plan:

ZARA
 KIDDY'S CLASS
 PULL & BEAR
 MASSIMO DUTTI
 BERSHKA
 STRADIVARIUS
 OYSHO
 ZARA HOME
total net openings

Range	
100	110
20	30
20	30
30	40
50	55
30	35
20	25
30	35
300	360

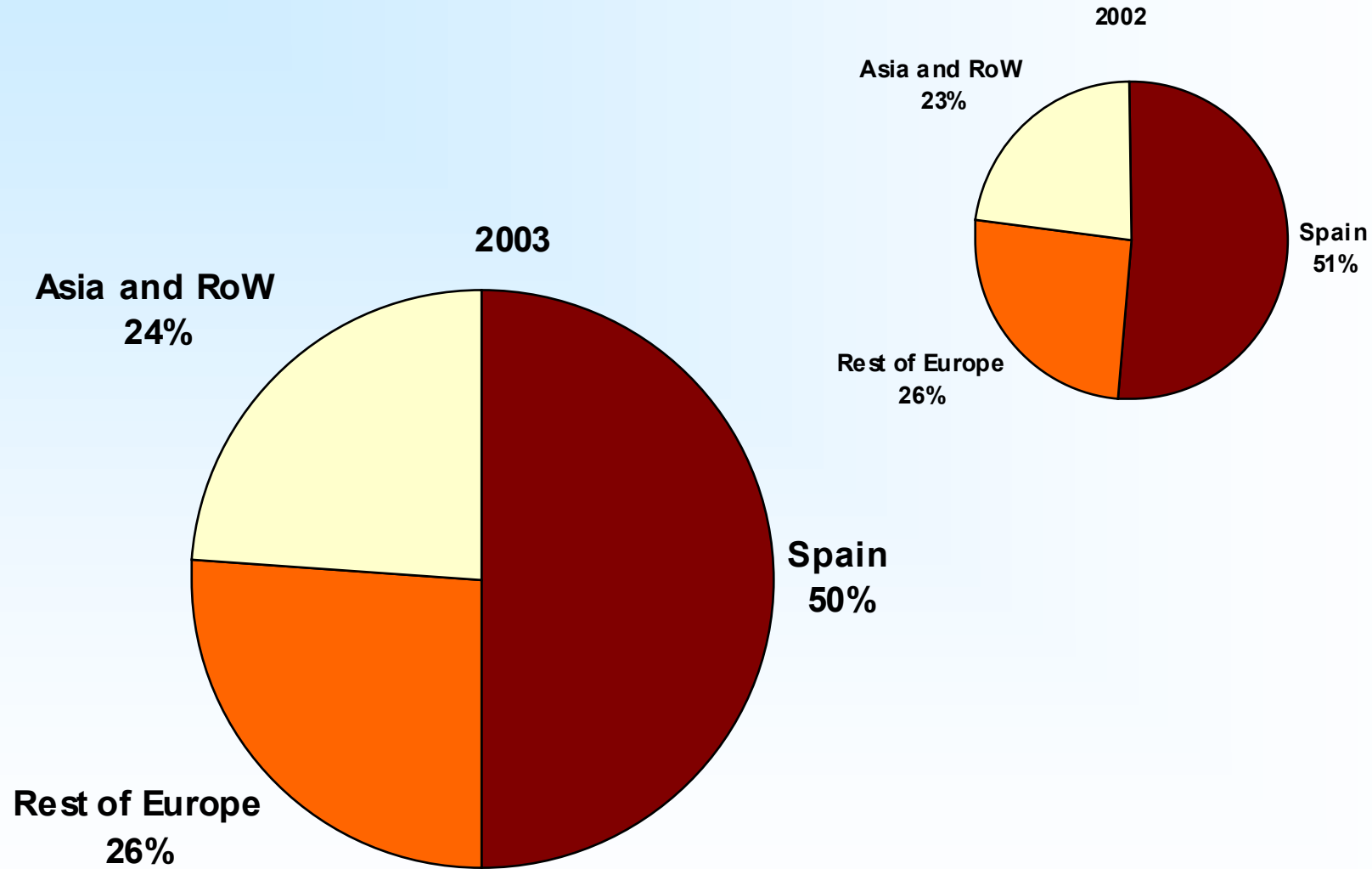
% Int'nal openings
80%
10%
25%
50%
50%
10%
20%
5%

FY2004: Growth outlook

INDITEX

- **300 - 360 store openings**
- **+20%/+25% space growth**
- **Gradual recovery in Gross Margin to 2002 levels (51.5%) should currencies remain at current levels**
- **Initial collection Spring-Summer well-received**

Sourcing by area (Zara)



Use of excess capital

- **FYE Net cash position 246 MM €**
- **Dividend proposal**
 - **Ordinary** **€14 cents per share**
 - **Bonus** **€21 cents per share**
 - **Total** **€35 cents per share**
- **217 MM € back to shareholders**
- **Financial discipline**
- **Annual “Ordinary” dividend pay-out to be doubled through 2008**

Q & A

March 2004